



*Board Of Investments*

Fiscal Year 2008 Annual Report

# **MONTANA BOARD OF INVESTMENTS**

## **Department of Commerce**

2401 Colonial Drive, 3<sup>rd</sup> Floor

PO Box 200126

Helena, MT 59620-0126

[www.investmentmt.com](http://www.investmentmt.com)

**The Honorable Brian Schweitzer, Governor**

### **BOARD MEMBERS**

♦ ***Terry Moore, Chairman***

Executive Vice President & Chief Financial Officer

First Interstate Bank

Billings

Term Ending 01/01/2011

♦ ***Elouise Cobell***

Chairperson

Blackfeet National Bank

Browning

Term Ending 01/01/2009

♦ ***Teresa Cohea***

Vice President

D.A. Davidson & Co.

Helena

Term Ending 01/01/2009

♦ ***Karl Englund***

Attorney

Missoula

Term Ending 01/01/2011

♦ ***Maureen Fleming***

Retired - Professor of Management

School of Business Administration

University of Montana, Missoula

Term Ending 01/01/2011

♦ ***John Paull***

Battalion Chief

Butte-Silver Bow Fire Department

Butte

Term Ending 01/01/2009

♦ ***Jack Prothero***

Retired

Financial Representative

Great Falls

Term Ending 01/01/2009

♦ ***Jon Satre***

Engineer - Partner

Gordon, Prill, Drapes

Helena

Term Ending 01/01/2011

♦ ***Jim Turcotte***

Financial Adviser

Raymond James Financial Services

Helena

Term Ending 01/01/2009

♦ ***Senator Dan Weinberg***

Senate Liaison

Whitefish

♦ ***Representative Tom McGillyray***

House of Representatives Liaison

Billings

**MONTANA BOARD OF INVESTMENTS**  
**Staff as of June 30, 2008**

- ◆ ***Carroll V. South***  
Executive Director
- ◆ ***Geri Burton***  
Deputy Director
- ◆ ***Louise Welsh***  
Bond Program Officer
- ◆ ***Dennis Horn***  
Bond Program Assistant
- ◆ ***Bobbie Pomroy***  
Portfolio Manager – Science & Tech
- ◆ ***Mary Noack***  
Network Administrator
- ◆ ***Kimberly R. Dallas***  
Program Assistant/Board Secretary
- ◆ ***Cynthia McDonnell***  
Administrative Assistant
- ◆ ***Sara LaFontaine***  
Imaging/Scanning Assistant
- ◆ ***Gayle Moon, CPA***  
Accounting Fiscal Manager
- ◆ ***Rachel Fairbank***  
Accountant
- ◆ ***Roberta Diaz***  
Accountant
- ◆ ***Polly Boutin***  
Accountant
- ◆ ***Linda Hunter***  
Accountant
- ◆ ***Herbert Kulow, CMB***  
Sr. Portfolio Manager – Montana Investments
- ◆ ***Nancy Rivera***  
Credit Analyst – Montana Investments
- ◆ ***Clifford A. Sheets, CFA***  
Chief Investment Officer
- ◆ ***Nathan Sax, CFA***  
Portfolio Manager – Fixed Income
- ◆ ***Richard Cooley, CFA***  
Portfolio Manager – Fixed Income/STIP/Int'l Equity
- ◆ ***Rande Muffick, CFA***  
Portfolio Manager – Domestic Equities
- ◆ ***Edward Kelly***  
Portfolio Manager – External Managers
- ◆ ***Daniel Zarling, CFA***  
Director of Research
- ◆ ***John Romasko, CFA, CPA***  
Investment Analyst – Fixed Income
- ◆ ***Steve Strong***  
Investment Analyst
- ◆ ***Jon Putnam***  
Investment Analyst
- ◆ ***Jason Brent***  
Investment Analyst
- ◆ ***Tim House***  
Investment Analyst
- ◆ ***Teri Kolnik***  
Investment Analyst
- ◆ ***Jon Shoen***  
Investment Analyst

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## INTRODUCTION

The Montana Board of Investments (Board) is pleased to submit its Annual Report for the fiscal year ended June 30, 2008. This report, required by law, discloses investment performance for the past fiscal year, summarizes the in-state investment activities of the Board, and provides public access to audited financial statements. Unless otherwise noted, all references to years in this report are state fiscal years beginning July 1 and ending June 30.

### **General Board Responsibilities**

***Unified Investment Program*** - Article VIII, Section 13 of the Montana Constitution requires that the legislature provide for a unified investment program for public funds and that the program be audited annually. Section 17-6-201, MCA established the unified investment program, created the Board, and gave the Board sole authority to invest state funds in accordance with state law and the state Constitution. State law requires that the Board operate under the "prudent expert principle," defined as: 1) discharging its duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims; 2) diversifying the holdings of each fund to minimize the risk of loss and maximize the rate of return; and 3) discharging its duties solely in the interest of and for the benefit of the funds managed.

Prior to the Board's assumption of the state's investment program, state funds were invested by individual state agency staff, usually on a part-time basis. The creation of the Board in 1972 permitted a full-time professional investment staff to invest all state and (at the discretion of local governments) local government funds. At its first meeting in August 1971 the Board established four major goals:

- to centralize the state's investments;
- to invest the state's idle cash;
- to increase earnings on the state's investments; and
- to establish a sound system of control over the investment process, including provisions for systematic financial reporting, measurement of investment results, and a regular independent audit.

The unified investment program has grown from a book value of \$321 million at year-end 1972 to a book value of \$12.41 billion at year-end 2008 - an annual average increase of 10.7 percent. During the same period, the number of accounts invested by the Board increased from 40 accounts to 496 accounts.

***In-State Investments*** - In addition to the Board's primary role of managing the state's unified investment program, the legislature has encouraged the Board to assist in Montana's economic development. Montana law (17-6-304, MCA) states that the "objectives for investment of the Permanent Coal Tax Trust Fund are to diversify, strengthen, and stabilize the Montana economy, and to increase Montana employment and business opportunities while maintaining and improving a clean and healthful environment." Section 17-6-305, MCA, states that "the Board shall endeavor to invest 25 percent of the Permanent Coal Tax Trust Fund . . . in the Montana economy, with special emphasis on investments in new or expanding locally owned enterprises." In recent years the legislature has created two new loan programs - the "Infrastructure and Value-Added Loan Programs" - and set aside \$80.0 million and \$70.0 million, respectively, of the Trust for each program.

**Commercial/Infrastructure/Value-Added Loans** - The Board manages these programs in conformance with the "prudent expert principle" and does not invest solely to improve Montana's economy. Operating the in-state investment program under the "prudent expert principle" has not prevented the Board from effectively investing the Trust to spur Montana's economy. Since the program's inception in 1984 through

2008, the Board has funded 1,227 loans totaling \$583.5 million in 44 of Montana's 56 counties. Loans funded by county are shown on Page 64.

**Mortgages** - The Board also purchases Montana mortgages with pension funds as a part of the in-state investment program. At year-end 2008 the Board held 1,110 mortgages with total book values of \$59.7 million in 47 of Montana's 56 counties - a decrease from the mortgages valued at \$68.8 million held at year-end 2007. The Board serves as a secondary market to qualified financial institutions in the in-state investment programs and does not lend directly to borrowers. Outstanding mortgages by county are shown on Page 62.

**Bond Program** - As a part of the Board's in-state investment activities, it also sells bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to fifteen years, and short-term loans are also available to finance cash flow deficits or interim financing. Both the bond program and the in-state investment program, funded from the Permanent Coal Tax Trust, were created in fiscal year 1984 as part of the "Build Montana" program. Since the program's inception, \$280.9 million has been loaned to eligible governments. Additional information on the bond program is shown on Page 66.

**Securities Lending** - Section 17-1-113, MCA, authorizes the Board to lend securities held by the state. Investment firms borrow securities to cover short positions, failed deliveries, arbitrage trades, and other brokerage activities. In recent years the Board has lent securities to qualified borrowers who pass rigorous tests and meet high standards for credit quality. Although state law requires that securities on loan be collateralized at least 100 percent, the Board requires borrowers to maintain collateral at 102 percent for domestic securities and 105 percent for international securities. To ensure that the collateral ratio is maintained, securities on loan are marked to market daily and the borrower must provide additional collateral if the value of the securities on loan increases. In addition to the strict collateral requirements imposed by the Board, the credit quality of approved borrowers is monitored continuously.

State Street Bank and Trust, the state's custodial bank, manages the state's securities lending program and retains 20 percent of the income generated as compensation for managing the program. The state earned securities lending income of \$7,522,885 in 2008, compared to \$935,644 in 2007. Because this program is demand driven by the markets, earnings are volatile.

## **Board Operations**

***Board Staff*** - The Board is comprised of nine members appointed by the Governor to staggered four-year terms. The Board also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House. The Board employs a Chief Investment Officer and an Executive Director who hire staff as authorized by the legislature. There are currently 34 full-time equivalents authorized as shown in the organizational chart on Page 4. Board staff also provides administrative support to the Montana Facility Finance Authority.

***Board Administrative Costs*** - The investment portion of Board operations is funded by administrative charges against the funds it invests, while the bond program is primarily funded by the "spread" between the interest paid on bonds issued and interest received on loans made. Effective in 1998, the legislature has set the maximum fees the Board may charge in the investment program. The total investment fees charged, which includes BOI fees, external manager fees, and custodial bank fees are shown in the financial statements beginning on Page B-1.

## **Board Policies and Procedures**

***Investment Policies*** - The Board adopts an investment policy for each individual fund it invests, except for funds investing in STIP only. The policies are tailored to the specific needs of the fund and are implemented only after consultation with the administrators of the funds. Asset allocations and investment time horizons are established by policy, as are the benchmarks against which investment performance is measured.

***Benchmarks*** - The Board establishes benchmarks for each asset class and the custodial bank develops a composite benchmark for each pension fund that parallels the fund's asset allocation at market value.

***Board Meetings*** – Regular Board meetings are held quarterly. Meeting dates, agenda, and minutes are posted on the Board's web page at [www.investmentmt.com](http://www.investmentmt.com). All Board decisions are discussed and voted on in meetings open to the public.

## **Report Content**

This report contains historical data from 1972 (the first fiscal year the Board managed the unified investment program) through 2008. All historical data were extracted from the Board's annual published reports. Statistical data are provided on the Board's investment activity in 2008 and changes in investments from 2007. Appendix A includes income generated by account and securities portfolios for all accounts managed by the Board. Appendix B contains the Board's audited financial statements with accompanying portfolios. The financial statements provide detailed information on the investment pools, the "all other funds" account, and the bond program.

## **Report Terminology**

***Book Values*** of fixed-income investments represent the securities' par values, plus or minus amortized premiums or discounts. Book value of equity securities is the average cost of the securities at the time of purchase.

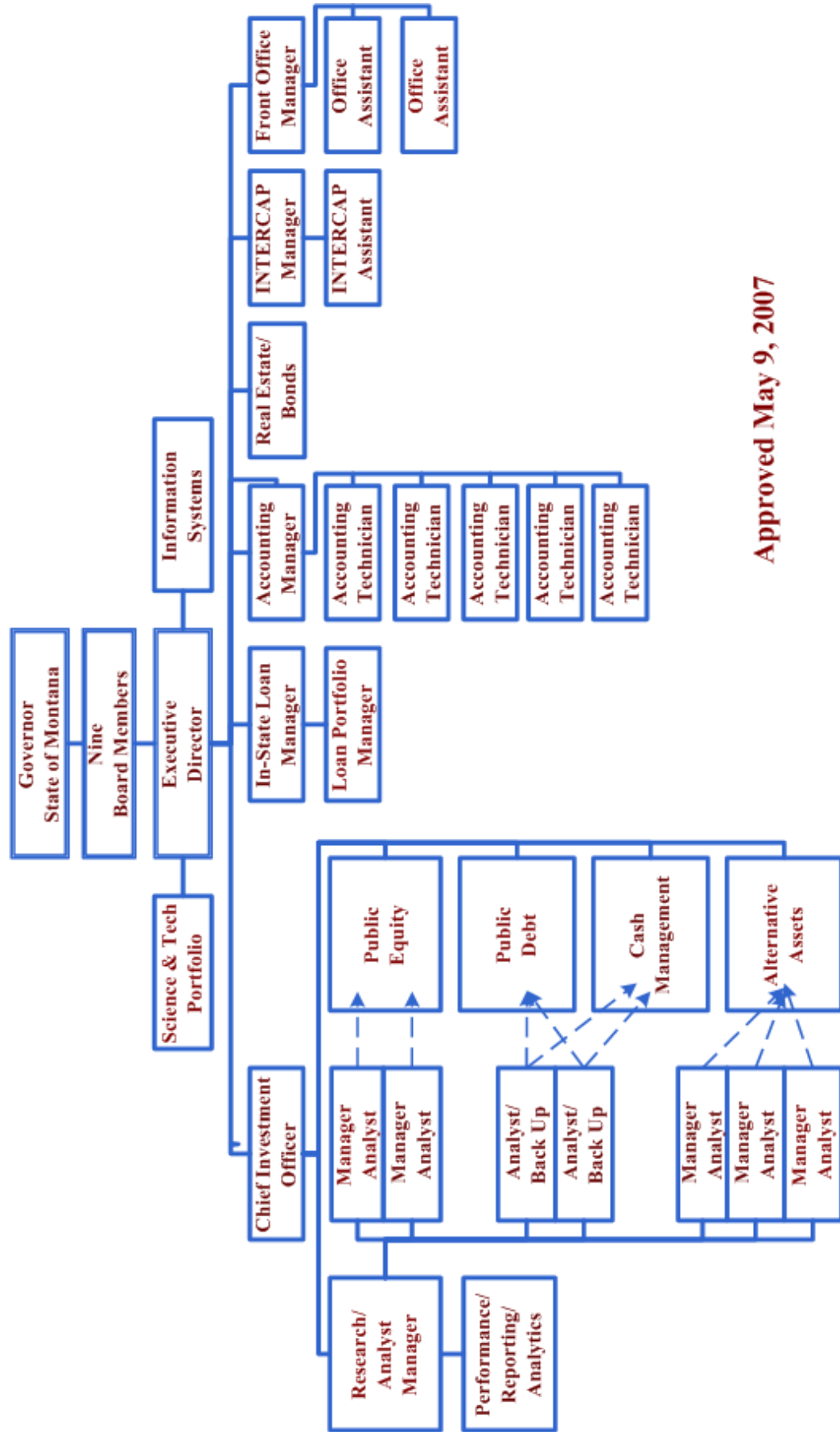
***Fair Market Values*** reflect the value of securities on June 30 as priced by the Custodial Bank, or other sources.

***Net Asset Value (NAV)*** as it relates to Investment Pools reflects the fair value of the pool securities, adjusted for payables, receivables, and cash on hand at year end. The aggregate fair value of the pool units held by pool participants equals the NAV of the pool.

***Income Return*** utilizes actual invested balances and investment income as recorded in the state accounting system. The calculation divides the annual net income by one-half the sum of the beginning and ending invested balances. The income includes interest, dividends, amortization of premiums/discounts, securities lending income, and distributed realized gain/loss. The calculation is performed by Board staff. Income return does not consider any change in the fair market value of the portfolio during the period.

***Total Rates of Return***, calculated by the custodial bank, includes all investment income and the unrealized gains/losses resulting from annual changes in the market value of investments, after cash flows are netted. For periods longer than one year the returns are compounded and annualized. The total rate of return is used by the Board to compare investment staff performance to various stock/bond indices selected by the Board.

# Montana Board of Investment Functional Organization Chart



Approved May 9, 2007



## **ECONOMIC & FINANCIAL MARKETS OVERVIEW**

Fiscal year 2008 was a difficult period for capital market performance and a dramatic contrast to fiscal year 2007. The pension funds posted a negative return of 4.87 percent compared to a positive return of 17.95 percent in the prior year. The negative return pulled down longer term returns that had been steadily improving since the equity bear market of 2000-2002. The past five year annualized return is now 8.46 percent and the ten year return at 5.47 percent. While this setback eroded the plans' performance compared to the actuarial return assumption, the annualized return since fiscal year 1995 is still in excess of the actuarial assumptions.

The swing from strongly positive to negative plan return can be attributed to the public equity component of the portfolios. The fiscal year began with the disruption in the credit markets in July 2007, the root cause of which was the deterioration in residential mortgage finance. The equity markets became much more volatile and dropped initially, only to rally back to new highs in October. The stock market declined from there as a full blown credit crunch evolved over the following months and concerns grew about the overall growth of the economy. Fears of an economic slowdown were based not only on a tightening credit market, but energy and food inflation spiked as house prices continued declining which led to a slowdown in discretionary consumer spending.

Stock market declines were prevalent across the world, though domestic equities suffered more than international markets. The overall public equity portfolio return was 11.75 percent for the fiscal year, with domestic stocks down 12.91 percent and international stocks down 9.28 percent. In contrast, private equity, which grew from 7.7 percent to 9.8 percent of the portfolios during the year, continued to post a positive return of 9.60 percent. The fixed income portion of the portfolio also posted a positive return at 5.86 percent, though the return was dampened by holdings of corporate bonds and mortgage-backed securities that suffered in performance as risk premiums widened in reaction to the unfolding credit crunch. The overall portfolio was also helped by a growing allocation to private real estate holdings. Overall real estate holdings generated a 4.63 percent positive return for the fiscal year. The bulk of this exposure was via the real estate pool which grew during the fiscal year to represent 4.29 percent of pension portfolios at June 30.

As noted earlier, the fiscal year performance was negatively impacted by deteriorating financial and economic conditions. These same forces continue to impact both domestic and international capital markets. Financial institutions that are exposed to mortgage-related securities or loans have seen increased losses that have weakened their capital adequacy. Combined with the ongoing housing recession, this has led to a crisis of confidence in the broader financial sector. Dramatic failures were seen by some of the largest brokerage firms in the country beginning with Bear Stearns in March 2008 and the more recent failure of Lehman Brothers. The crisis escalated in July as problems with Fannie Mae and Freddie Mac, the two large government-sponsored mortgage firms, became more evident and the U.S. Treasury took an initial step to prop them up. The extremes of the mortgage lending crisis and the most severe signs of systemic failure of our financial system came in September. The federal conservatorship of the two mortgage agencies was followed by the Lehman Brothers bankruptcy and a federal rescue of the largest insurance company, American International Group. September also saw record bank failures with the demise of Washington Mutual, the country's largest savings bank with over \$200 billion in retail deposits. This was quickly followed by the demise of Wachovia, the nation's third largest bank ranked by retail deposits, which was merged into Wells Fargo. Other major banks remain on the brink and are actively seeking mergers with stronger institutions or face the prospect of their own end at the hands of federal regulators. More recently, the U.S. Treasury has purchased preferred equity stakes in the largest banks in the country to infuse additional capital and bolster confidence in these institutions. These are unprecedented events in the post-Depression history of the U.S. financial system.

As the economy weakened and the credit crunch spread, the Federal Reserve began an aggressive monetary easing policy a year ago reducing policy rates from 5.25 percent to 1.0 percent as of November 2008. Yet this rate only applies to certain loans between banks and did not help the broader credit markets where fears of borrower insolvency pushed private sector lending rates higher. The Federal Reserve has injected massive amounts of liquidity into the money market to help offset the upward pressure on short term rates for most instruments other than Treasury bills. But so far, monetary policy has been ineffective in addressing the broader problem of a weakening housing market and the inaccessibility to loans by the broader economy, not just the banking system.

The Federal Reserve and U.S. Treasury have done their best to address the growing crisis but are now depending on unprecedented sweeping federal programs to inject funds directly into the financial system. In conjunction with the U.S. Treasury, the Federal Reserve has been the lender of last resort in the case of financial institutions deemed too big to fail. The efforts to date have been case-by-case, yet the authorities are being overwhelmed as the dominoes fall at an increasing frequency and scale. The U.S. Treasury is currently in the process of implementing a \$700 billion fiscal bail-out plan passed by Congress; the Federal Reserve is announcing new plans and strategies almost on a daily basis; and the Federal Deposit Insurance Corporation has stepped to the plate. These plans, if successful, may bolster and stabilize the financial sector but will not prevent a recession and rising unemployment.

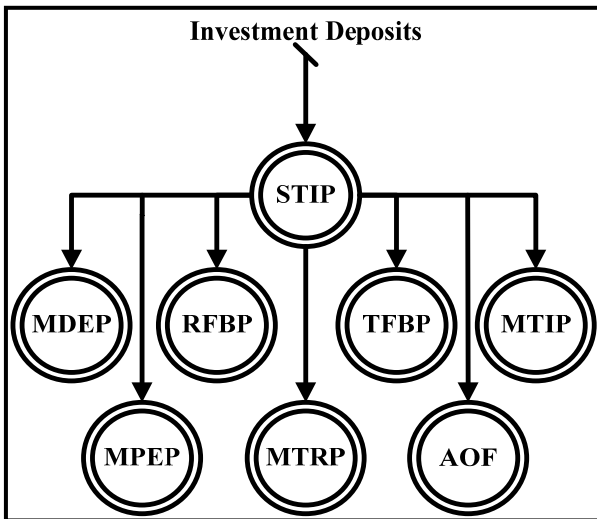
The longer term impact recent fiscal and central bank actions will have on the capital markets remains to be seen, but it should act to put a floor on mortgage-related securities prices that have been at the heart of the problem. Over the next year, we could see a bounce in the assets that have suffered the most in recent weeks but longer term there remains considerable uncertainty. The financial system will continue to de-lever and this means higher borrowing standards and fewer loans. Economic growth in the U.S. and globally will slow, with many economists now saying that a U.S. recession began in December 2007. This scenario implies lower consumer and business spending and depressed earnings. We are likely to see higher corporate loan and bond defaults as well. As a result, return expectations should be dampened for both stocks and bonds until more signs of economic stability appear. Longer term, the seeds are being sown for better returns, especially for equity and corporate bond markets which have suffered the most over the past year.

From a portfolio perspective, asset diversification efforts over the past couple of years have helped by reducing the public equity exposure and mitigating some of the downside in recent months. Over the past year, additional commitments have been made to the private equity and private real estate asset classes. On the fixed income side, the Board diversified into broader segments of the bond market including international and high yield markets. This entailed the hiring of four external managers for a portion of the retirement fund bond pool with these mandates to be funded over the coming months. The Board is also examining a new asset strategy for possible use in pension funds – hedge funds – a broad category of various active trading strategies that are designed to provide diversification from traditional assets such as public equities. The Board will consider implementing asset allocation changes only after a thorough understanding of the risks and benefits of taking such actions with an appropriate long term timeframe in mind.

## **TOTAL FUND**

The Total Fund is comprised of all state and local government funds invested by the Board. Fund types invested include pensions, trusts, insurance, debt service, state agency and higher education operating accounts, and local government funds. Unless otherwise provided by law, the Board must invest all state funds. Local governments at their discretion may invest funds with the Board. (All local government funds are invested in the Short Term Investment Pool - STIP).

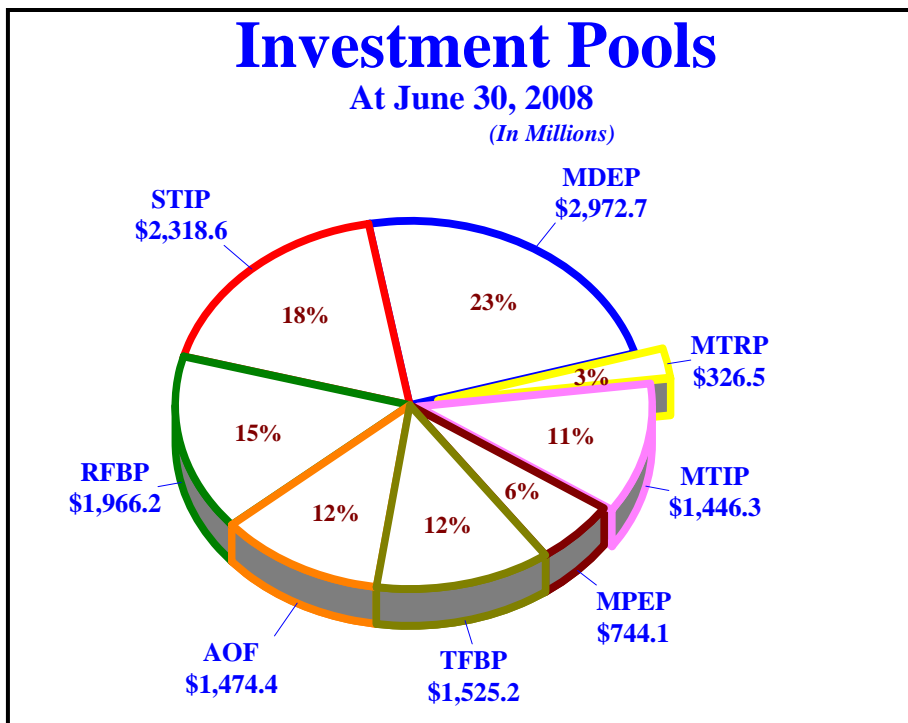
At June 30, 2008 the fair value of the Total Fund was \$12.68 billion compared to \$13.21 billion a year earlier. Fair values reflect the value of securities on June 30 as priced by the custodial bank, or other sources. During the year the Board invested 496 individual accounts, consisting of 300 state agency accounts and 196 local government accounts.



At year-end the Board managed 88.6 percent of the Total Fund in seven investment pools, which operate similar to mutual funds. All cash is initially deposited in STIP, which operates as a money market fund. STIP has a fixed \$1.00 share value and participants may invest and withdraw funds with 24 hours notice.

Depending upon the investment parameters of individual accounts, some or most of the account balances may be transferred from STIP to other investment pools, which include equity, fixed-income, and alternative investments. If accounts are authorized to invest in longer-term investments but their investment parameters do not permit investment in the pools, they are invested in individual portfolios included in the All Other Funds (AOF).

Most state agency accounts authorized by law to retain interest earnings and all local government accounts are limited to STIP investments only. State agency accounts that invest in other investment pools or individual investment portfolios may maintain a minimum STIP balance for liquidity. Since the state's trust funds cannot be invested in equities, they are invested in the Trust Funds Bond Pool (TFBP) or individual fixed-income portfolios. Because there are no constitutional or legal restraints on the investment of state pension funds, they are invested in the Retirement Funds Bond Pool (RFBP), the Real Estate Pool (MTRP), and the three equity pools – the Montana Domestic Equity Pool (MDEP), the Montana International Equity Pool (MTIP), and the Montana Private Equity Pool (MPEP).



**The Montana Domestic Equity Pool (MDEP)** comprised 23 percent of the Total Portfolio on June 30, 2008. Pool securities include actively-managed small, mid and large cap domestic stock and passively-managed mid and large cap domestic stock. The pool is managed by contracted external managers. The nine pension funds comprise 99.9 percent of the pool's Net Asset Value. Dividends are distributed monthly and capital gains/losses are retained in the pool.

**The Retirement Funds Bond Pool (RFBP)**, comprising 15 percent of the Total Portfolio on June 30, is limited to pension funds only and all nine funds participate. Pool securities are a mix of longer-term investment grade corporate bonds and U.S. government bonds. All bonds are U.S. dollar denominated and the pool is managed by Board staff. Income is distributed monthly and capital gains/losses are distributed periodically.

**The Short Term Investment Pool (STIP)** comprised 18 percent of the Total Portfolio on June 30. The pool operates as a money market fund with a constant share value of \$1.00. There were 496 participants in the pool in 2008, including 196 local governments. Pool securities consist of investment grade short-term securities. The pool is managed by Board staff and income is distributed monthly.

**The Trust Funds Bond Pool (TFBP)** accounted for 12 percent of the Total Portfolio on June 30. The 32 participants in this pool are a mix of trust funds and university funds that may be invested long term. The pool securities are similar to RFBP securities and the pool is managed by Board staff. Income is distributed monthly and capital gains/losses are distributed periodically.

**The Montana International Equity Pool (MTIP)**, comprising 11 percent of the Total Portfolio on June 30, is limited to pension funds only and all nine funds participate. Pool securities consist of both actively-managed and passively-managed Europe and Pacific Basin equity securities. The pool is managed by contracted external managers. Dividends are distributed monthly and capital gains/losses are retained in the pool.

**The Montana Private Equity Pool (MPEP)**, comprising 6 percent of the Total Portfolio on June 30, is also limited to pension funds only and all nine funds participate. The Board contracts with several private equity managers to invest in venture capital, leveraged buy-out, and other types of private equity investments. Income is distributed periodically and capital gains/losses are retained in the pool.

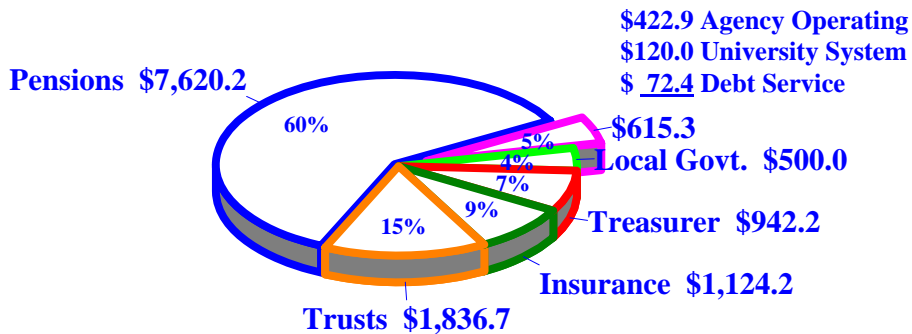
**The Montana Real Estate Pool (MTRP)** comprised 3 percent of the Total Portfolio on June 30. The Board contracts with real estate managers to invest in core real estate, value-added real estate, and opportunistic real estate. In the “risk/return” spectrum core real estate is the lowest, while opportunistic real estate is the highest. The pool is limited to pension funds only and all nine funds participate.

**The All Other Fund (AOF)** includes all other investments not held in the seven investment pools. Securities include bonds, mortgages/loans, a passive index stock fund and direct real estate.

## Total Funds By Source

\$12.64 Billion Fair Value At June 30, 2008

(In Millions)



The pie charts show the Total Fund by source and asset type at June 30, 2008. The nine pension funds comprised 60.3 percent of the Total Fund at fair value, while state trusts accounted for 14.5 percent.

The insurance portfolio is composed primarily of the State Fund (New Workers Compensation).

The Treasurer's Fund is essentially the state checking account that includes all state agency funds not authorized to retain their interest earnings. Interest earnings are deposited in the state general fund.

Local government investments in STIP comprised 4.0 percent of the Total Fund.

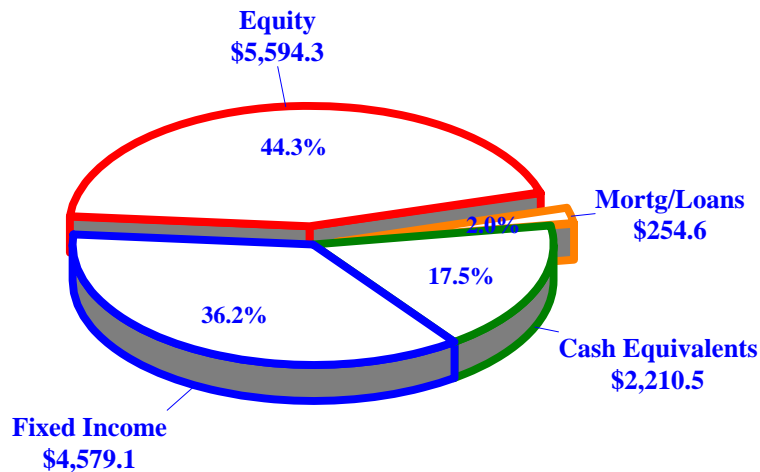
Except for \$87.4 million of equity investments held by the State Fund and a handful of small trusts and endowments, the equity portfolio is held by the nine pension funds.

Mortgages and loans consist of residential

## Total Funds By Asset

\$12.64 Billion Fair Value At June 30, 2008

(In Millions)



mortgages held in pension fund portfolios and loans from the Coal Tax Trust to Montana businesses.

The Total Fund portfolio by major fund type and asset type are shown in the tables on the next page. The Total Fund invested balances and income history are shown on Page A – 15 in Appendix A.

<b>Total Fund By Source And Asset Allocation At Fair Value On June 30, 2008</b>						
<b>Fund Type</b>	<b>Cash Equivalents \$</b>	<b>Domestic Stock \$</b>	<b>Fixed Income \$</b>	<b>Mortgage/ Loans</b>	<b>Other Equity (1)</b>	<b>Total</b>
Pensions	90,213,738	2,970,625,023	1,966,209,529	58,957,838	2,534,185,792	7,620,191,919
Trusts	95,727,888	921,312	1,544,357,494	195,686,203		1,836,692,898
Insurance	132,914,429		903,826,285		87,443,325	1,124,184,040
Treasurer's	830,991,994		111,212,456			942,204,450
Local Gov.	499,966,368					499,966,368
Agency Cash	412,567,284		10,333,552			422,900,836
Universities	75,750,034	1,140,295	43,124,660			120,014,989
Debt Service	<u>72,383,220</u>					<u>72,383,220</u>
<b>Total</b>	<b><u>2,210,514,957</u></b>	<b><u>2,972,686,629</u></b>	<b><u>4,579,063,976</u></b>	<b><u>254,644,041</u></b>	<b><u>2,621,629,117</u></b>	<b><u>12,638,538,721</u></b>

(1) Includes International Stock, Equity Index Fund, Private Equity, and Real Estate

<b>Total Fund Book/Fair Values of Securities Held At June 30, 2008</b>					
<b>Investment Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Domestic Stocks/Indexes	2,949,750,890	2,965,611,148	15,860,258	23.8	23.4
US Government-Backed Bonds	2,642,785,055	2,682,848,186	40,063,131	21.3	21.2
Corporate Bonds	2,487,281,837	2,442,020,868	(45,260,969)	20.0	19.3
International Stocks	1,320,309,702	1,437,640,868	117,331,166	10.6	11.3
Commercial Paper	1,278,677,750	1,278,677,750	0	10.3	10.1
Private Equity	640,012,167	744,098,947	104,086,780	5.2	5.9
Equity Real Estate	332,940,420	343,007,723	10,067,304	2.7	2.7
Mortgages/Loans	255,388,585	254,644,041	(744,544)	2.1	2.0
Money Market	204,352,667	204,352,667	0	1.6	1.6
Structured Investment Vehicles	140,000,000	140,000,000	0	1.1	1.1
Certificates of Deposit	79,997,934	79,997,934	0	0.6	0.6
BGI Equity Index	68,406,677	87,443,325	19,036,648	0.6	0.7
Repurchase Agreements	12,123,446	12,123,446	0	0.1	0.1
State/Local Government Bonds	<u>2,628,366</u>	<u>2,633,921</u>	<u>5,555</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b><u>12,414,655,495</u></b>	<b><u>12,675,100,825</u></b>	<b><u>260,445,329</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

<b>Total Fund Annual Change At June 30 By Asset Type</b>						
<b>Investment Type</b>	<b>2008 \$ Book Value</b>	<b>% of Total</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% of Change</b>
Domestic Stocks/Indexes	2,949,750,890	23.8	2,743,901,727	22.8	205,849,163	7.5
US Government-Backed Bonds	2,642,785,055	21.3	2,155,970,951	17.9	486,814,104	22.6
Corporate Bonds	2,487,281,837	20.0	2,944,764,823	24.5	(457,482,986)	(15.5)
International Stocks	1,320,309,702	10.6	1,278,743,938	10.6	41,565,764	3.3
Commercial Paper	1,278,677,750	10.3	1,854,755,464	15.4	(576,077,714)	(31.1)
Private Equity	640,012,167	5.2	515,061,200	4.3	124,950,967	24.3
Equity Real Estate	332,940,420	2.7	124,197,328	1.0	208,743,091	168.1
Mortgages/Loans	255,388,585	2.1	295,604,703	2.5	(40,216,118)	(13.6)
Money Market	204,352,667	1.6	25,000,000	0.2	179,352,667	717.4
Structured Investment Vehicles	140,000,000	1.1	0	0.0	140,000,000	N/A
Certificates of Deposit	79,997,934	0.6	0	0.0	79,997,934	N/A
BGI Equity Index	68,406,677	0.6	68,406,676	0.6	0	0.0
Repurchase Agreements	12,123,446	0.1	18,255,027	0.2	(6,131,581)	(33.6)
State/Local Government Bonds	<u>2,628,366</u>	<u>0</u>	<u>8,417,149</u>	<u>0</u>	<u>(5,788,784)</u>	<u>(68.8)</u>
<b>Total Investments</b>	<b><u>12,414,655,495</u></b>	<b><u>100.0</u></b>	<b><u>12,033,078,986</u></b>	<b><u>100.0</u></b>	<b><u>381,576,509</u></b>	<b><u>3.2</u></b>

The tables below show:

- The fair value of individual funds in descending order,
- Income generated by major funds, and
- The total rates of returns of major funds.

<b>Total Fund By Fund At Fair Value On June 30, 2008</b>			
<b>Fund</b>	<b>Fair Value \$</b>	<b>Fund</b>	<b>Fair Value \$</b>
Public Employees' Retirement	3,840,967,298	Treasure State Water	37,792,277
Teachers' Retirement	2,961,960,654	Big Sky Economic Devlp Fund	33,733,811
State Fund Insurance	968,530,625	FWP License Account	32,473,628
Treasurer's Fund	942,204,450	Old Fund Insurance	31,614,188
Permanent Coal Tax Trust	539,903,510	Montana Pole	29,637,486
Local Government STIP	499,966,368	Vol. Firefighters' Retirement	25,992,748
Trust & Legacy Fund	443,669,439	Parks Coal Trust	18,398,462
St Agency Operations STIP	390,427,208	UCRFB Reserve Fund	17,945,954
Police Officers' Retirement	190,589,682	Higher Education STIP	15,648,875
Sheriffs' Retirement	188,161,316	Hail Insurance	12,860,805
Firefighters' Retirement	184,737,400	FWP Mitigation	11,930,658
UCFRB Restoration Fund	164,040,695	Cultural Coal Tax Trust	10,435,542
Treasure State Endowment	155,450,607	Weed Control Trust	9,939,544
Resource Indemnity Trust	101,618,905	Zortman/Landusky	9,715,148
Highway Patrol Retirement	95,999,795	Older Montanans	8,060,684
Tobacco Trust	91,151,209	Wildlife Habitat Trust	8,002,712
Streamside Tailings	82,472,252	Abandoned Mines	5,333,830
Game Wardens' Retirement	73,124,533	FWP Real Property	5,069,487
Debt Service STIP	72,383,220	MT Tech UM Agency	4,344,693
Insurance STIP	66,130,673	Zort/Land LT H20 Trust	4,252,269
Judges' Retirement	58,658,494	Endowment for Children	1,046,425
Montana State University	57,349,227	Other Trusts MDEP	921,312
Other Trusts STIP	45,506,599	Subsequent Injury	720,091
Group Benefits Insurance	44,327,658	Other Trusts TFBP	664,080
UM Other Funds	42,532,977	Higher Education MDEP	139,217
		<b>Total</b>	<b><u>12,638,538,721</u></b>

<b>Total Fund Income</b>						
<b>Fund Type</b>	<b>2008 \$ Income</b>	<b>% of Total</b>	<b>2007 \$ Income</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% of Change</b>
Public Employees' Retirement	94,852,097	21.7	171,887,613	29.4	(77,035,516)	(44.8)
Teachers' Retirement	83,047,218	19.0	130,229,621	22.3	(47,182,403)	(36.2)
State Fund Insurance	44,271,533	10.1	37,286,194	6.4	6,985,339	18.7
Permanent Coal Tax Trust (1)	41,978,440	9.6	44,489,170	7.6	(2,510,730)	(5.6)
Treasurer's Fund	30,782,748	7.0	33,951,447	5.8	(3,168,699)	(9.3)
Local Governments STIP	28,174,910	6.4	39,419,772	6.7	(11,244,863)	(28.5)
State Agency/Higher Ed. STIP	26,617,097	6.1	30,332,639	5.2	(3,715,542)	(12.2)
Trust & Legacy Fund	25,288,505	5.8	26,474,491	4.5	(1,185,986)	(4.5)
Other Managed Portfolios	23,846,855	5.5	20,759,501	3.5	3,087,354	14.9
Other Retirement Systems	20,706,516	4.7	31,330,179	5.4	(10,623,663)	(33.9)
UCFRB Restoration Fund	10,134,461	2.3	10,411,504	1.8	(277,043)	(2.7)
Resource Indemnity Trust	5,800,855	1.3	6,220,240	1.1	(419,385)	(6.7)
Old Fund Insurance	<u>1,852,292</u>	<u>0.4</u>	<u>2,258,541</u>	<u>0.4</u>	<u>(406,249)</u>	<u>(18.0)</u>
<b>Total</b>	<b><u>437,353,527</u></b>	<b><u>100.0</u></b>	<b><u>585,050,911</u></b>	<b><u>100.0</u></b>	<b><u>(147,697,384)</u></b>	<b><u>(25.2)</u></b>

(1) Includes Treasure State Endowment, Treasure State Regional Water and Big Sky Economic Development

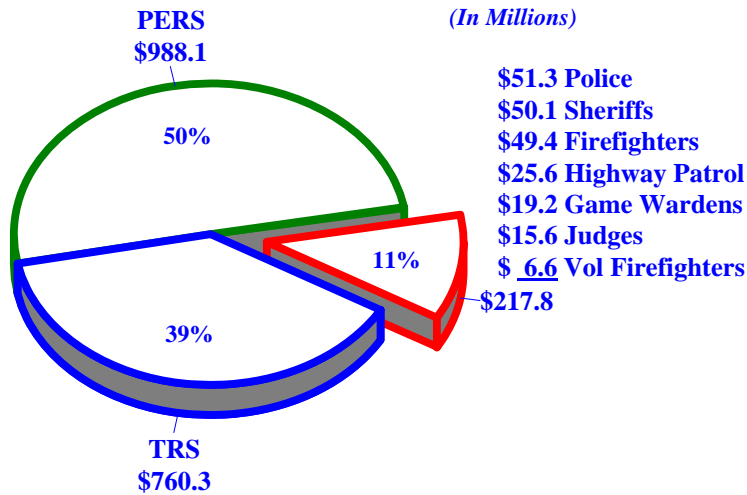


**Major Funds 2008 Total Rates Of Return**

<b><u>Fund Name</u></b>	<b><u>% Return</u></b>
Public Employees' Retirement	(4.86)
Teachers' Retirement	(4.89)
Coal Tax Permanent Fund	5.67
State Fund Insurance	3.83
Trust & Legacy Fund	6.26
Treasurer's Fund	4.66
Resource Indemnity Trust	6.26

## RFBP Participants

Net Asset Value Of Participant Units \$1.97 Billion  
at June 30, 2008



## RETIREMENT FUNDS BOND POOL (RFBP)

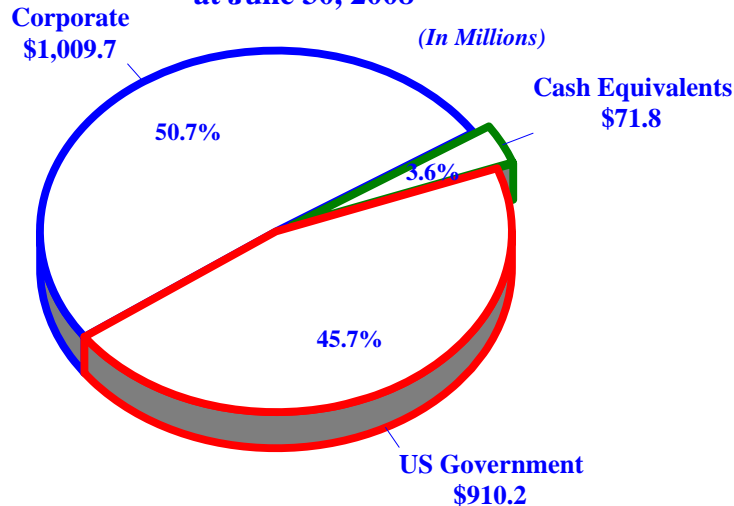
On April 1, 1995, all fixed-income investments held by the nine pension funds were transferred to the newly-created Retirement Funds Bond Pool (RFBP). Each pension fund received shares in the pool equal in value to the fair value of its fixed-income portfolio on the date of the transfer.

The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by the pool. Any difference in the net asset value and the securities held is due to receivables/payables and/or cash included in the net asset value of the pool.

The RFBP distributed \$113.8 million in income to participants in 2008, compared to \$114.4 million in 2007. Income distributed includes, interest accruals, discount/premium, and realized gains/losses.

## RFBP By Investment

Fair Value Of Investments \$1.99 Billion  
at June 30, 2008



The consolidated investment pool financial statement begins on Page B-1. A list of the individual securities in the RFBP portfolio is shown on Page B-31 in Appendix B.

The tables on the next page show:

- The changes in book value of portfolio securities,
- The difference between book and fair value of the securities portfolio, and
- The securities portfolio's total rate of return.

**RFBP Annual Change At June 30**

<u>Investment Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Corporate Bonds (Rated)	1,011,467,221	50.7	965,267,421	49.0	46,199,799	4.8
Corporate Bonds (Unrated)	17,126,603	0.9	8,043,241	0.4	9,083,362	112.9
U.S. Govt Direct Obligations	123,946,602	6.2	73,544,894	3.7	50,401,708	68.5
U.S. Government Agency	770,923,080	38.6	808,893,937	41.1	(37,970,856)	(4.7)
<b>Total Fixed Income</b>	<b>1,923,463,506</b>	<b>96.4</b>	<b>1,855,749,493</b>	<b>94.2</b>	<b>67,714,013</b>	<b>3.6</b>
Short Term Investment Pool	71,764,367	3.6	113,252,415	5.8	(41,488,048)	(36.6)
Total Cash Equivalents	71,764,367	3.6	113,252,415	5.8	(41,488,048)	(36.6)
<b>Total Investments</b>	<b>1,995,227,873</b>	<b>100.0</b>	<b>1,969,001,908</b>	<b>100.0</b>	<b>26,225,964</b>	<b>1.3</b>

**RFBP Book/Fair Values At June 30, 2008**

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Corporate Bonds (Rated)	1,011,467,221	996,726,110	(14,741,110)	50.7	50.0
Corporate Bonds (Unrated)	17,126,603	13,016,381	(4,110,222)	0.9	0.7
U.S. Govt Direct Obligations	123,946,602	127,133,284	3,186,681	6.2	6.4
U.S. Government Agency	770,923,080	783,061,173	12,138,093	38.6	39.3
<b>Total Fixed Income</b>	<b>1,923,463,506</b>	<b>1,919,936,948</b>	<b>(3,526,558)</b>	<b>96.4</b>	<b>96.4</b>
Short Term Investment Pool	71,764,367	71,764,367	0	3.6	3.6
Total Cash Equivalents	71,764,367	71,764,367	0	3.6	3.6
<b>Total Investments</b>	<b>1,995,227,873</b>	<b>1,991,701,315</b>	<b>(3,526,558)</b>	<b>100.0</b>	<b>100.0</b>

**RFBP Total Rates of Returns Versus Benchmark**

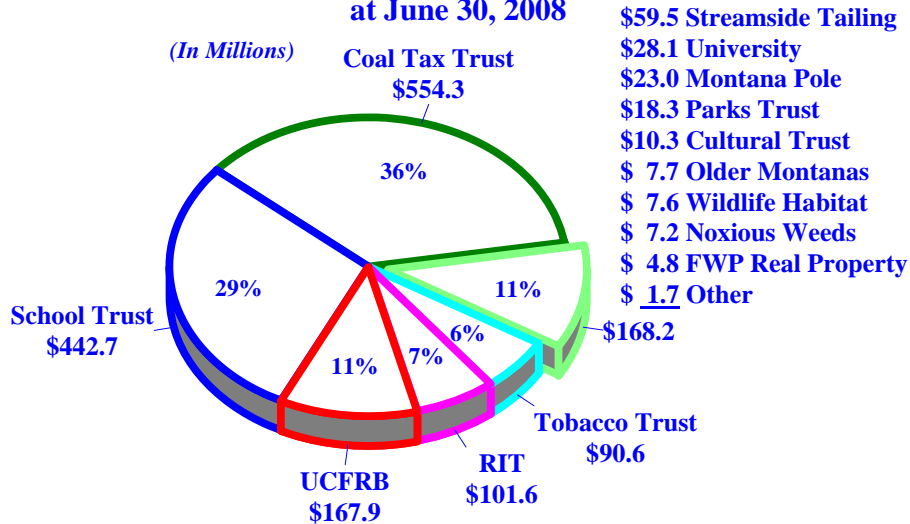
<u>Year</u>	<u>% Return</u>	<u>Benchmark</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2008	5.82	Lehman Brothers Aggregate	7.13	(1.31)
3 Year Annualized Average	4.32	Lehman Brothers Aggregate	4.09	0.23
5 Year Annualized Average	4.41	Lehman Brothers Aggregate	3.86	0.55
10 Year Annualized Average	6.39	Lehman Brothers Aggregate	5.68	0.71

**INVESTMENT OBJECTIVE/CONSTRAINTS**

- Diversified portfolio, producing a total rate of return exceeding the Lehman Aggregate Index over any five-year rolling period.
- Low liquidity requirements, except for investment purposes.
- Securities are investment-grade at the time of purchase, as per Standard & Poor's or Moody's rating services, with maturities not exceeding 40 years.
- Mortgage-backed securities purchases are restricted to US Government Agencies.
- All securities must pay in US Dollars.

## TFBP Participants

Net Asset Value Of Participant Units \$1.53 Billion  
at June 30, 2008



## TRUST FUNDS BOND POOL (TFBP)

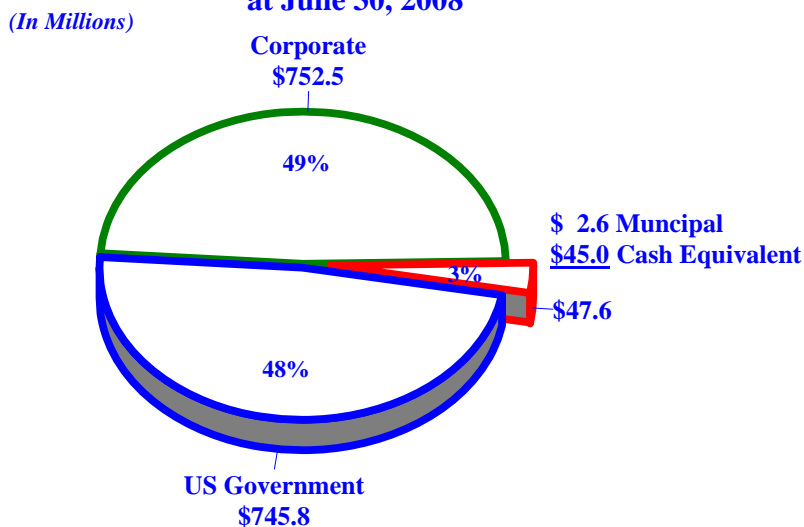
On October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to the newly-created Trust Funds Bond Pool (TFBP). Each trust fund received shares in the pool equal in value to the fair value of their fixed-income portfolio on the date of the transfer.

The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by the pool. Any difference in the net asset value and the securities held is due to receivables/payables and/or cash included in the net asset value of the pool.

The TFBP distributed \$83.4 million in income to participants in 2008, compared to \$82.8 million in 2007. Income distributed includes interest accruals, discount/premium, and realized gains/losses.

## TFBP By Investment

Fair Value Of Investments \$1.55 Billion  
at June 30, 2008



The consolidated investment pool financial statement begins on Page B-1. A list of the individual securities in the TFBP portfolio is shown on Page B-37 in Appendix B.

The tables on the next page show:

- The changes in book value of portfolio securities,
- The difference between book and fair value of the securities portfolio, and
- The securities portfolio's total rate of return.

**TFBP Annual Change At June 30**

<u>Investment Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Corporate Bonds (Rated)	755,582,157	48.9	670,141,710	48.6	85,440,447	12.7
Corporate Bonds (Unrated)	8,031,707	0.5	1,275,115	0.1	6,756,593	529.9
U.S. Govt Direct Obligations	109,799,731	7.1	46,091,542	3.3	63,708,188	138.2
U.S. Government Agency	622,625,270	40.3	594,086,430	43.1	28,538,840	4.8
Municipal Govt Bonds (Rated)	1,120,000	0.1	1,130,000	0.1	(10,000)	(0.9)
Municipal Govt Bonds (Unrated)	1,508,366	0.1	2,287,149	0.2	(778,784)	(34.1)
<b>Total Fixed Income</b>	<b>1,498,667,231</b>	<b>97.1</b>	<b>1,315,011,947</b>	<b>95.4</b>	<b>183,655,284</b>	<b>14.0</b>
Short Term Investment Pool	45,017,942	2.9	62,783,945	4.6	(17,766,003)	(28.3)
<b>Total Cash Equivalents</b>	<b>45,017,942</b>	<b>2.9</b>	<b>62,783,945</b>	<b>4.6</b>	<b>(17,766,003)</b>	<b>(28.3)</b>
<b>Total Investments</b>	<b>1,543,685,172</b>	<b>100.0</b>	<b>1,377,795,892</b>	<b>100.0</b>	<b>165,889,280</b>	<b>12.0</b>

**TFBP Book/Fair Values At June 30, 2008**

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Corporate Bonds (Rated)	755,582,157	747,118,821	(8,463,336)	48.9	48.3
Corporate Bonds (Unrated)	8,031,707	5,390,715	(2,640,993)	0.5	0.3
U.S. Govt Direct Obligations	109,799,731	113,103,058	3,303,327	7.1	7.3
U.S. Government Agency	622,625,270	632,681,246	10,055,977	40.3	40.9
Municipal Govt Bonds (Rated)	1,120,000	1,125,555	5,555	0.1	0.1
Municipal Govt Bonds (Unrated)	1,508,366	1,508,366	0	0.1	0.1
<b>Total Fixed Income</b>	<b>1,498,667,231</b>	<b>1,500,927,761</b>	<b>2,260,531</b>	<b>97.1</b>	<b>97.1</b>
Short Term Investment Pool	45,017,942	45,017,942	0	2.9	2.9
<b>Total Cash Equivalents</b>	<b>45,017,942</b>	<b>45,017,942</b>	<b>0</b>	<b>2.9</b>	<b>2.9</b>
<b>Total Investments</b>	<b>1,543,685,172</b>	<b>1,545,945,703</b>	<b>2,260,531</b>	<b>100.0</b>	<b>100.0</b>

**TFBP Total Rates of Returns Versus Benchmark**

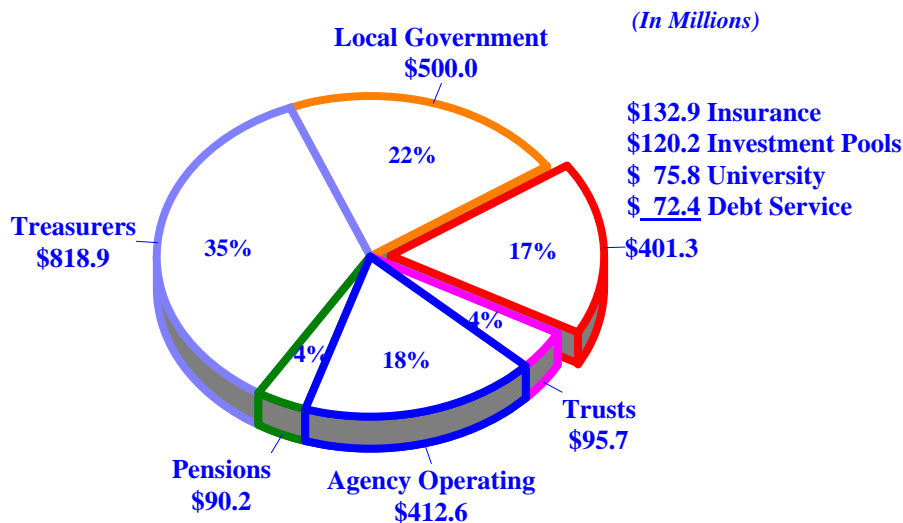
<u>Year</u>	<u>% Return</u>	<u>Benchmark</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2008	6.31	Lehman Brothers Aggregate	7.13	(0.82)
3 Year Annualized Average	4.48	Lehman Brothers Aggregate	4.09	0.39
5 Year Annualized Average	4.61	Lehman Brothers Aggregate	3.86	0.75
10 Year Annualized Average	6.33	Lehman Brothers Aggregate	5.68	0.65

**INVESTMENT OBJECTIVE/CONSTRAINTS**

- Diversified portfolio, producing a total rate of return exceeding the Lehman Aggregate Index over any five-year rolling period. Additional emphasis is given to providing an above-market yield consistent with the preservation of capital.
- Low liquidity requirements, except for investment purposes.
- Securities are investment-grade at the time of purchase, as per Standard & Poor's or Moody's rating services, with maturities not exceeding 40 years.
- Mortgage-backed securities purchases are restricted to US Government Agencies.
- All securities must pay in US Dollars.

# STIP Participants

Net Asset Value Of Participant Units \$2.32 Billion  
at June 30, 2008



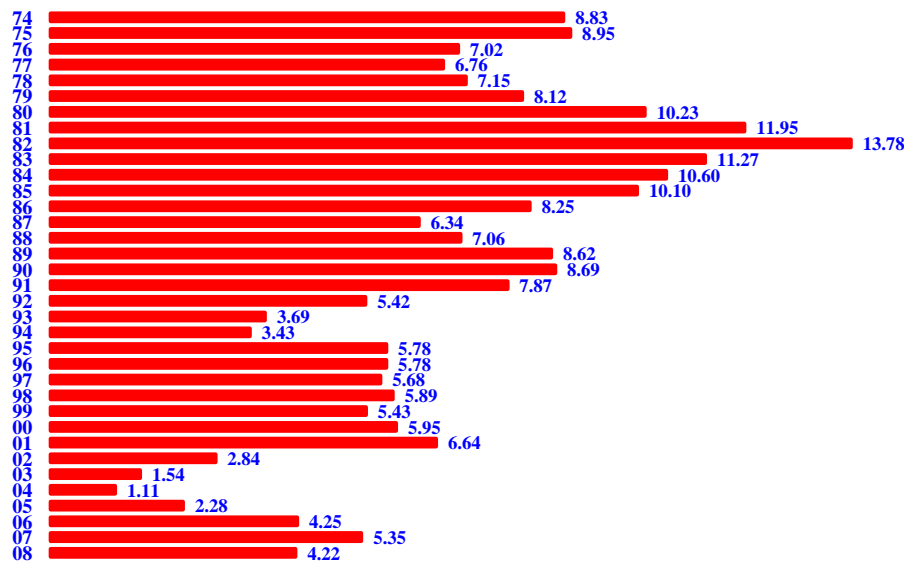
## SHORT TERM INVESTMENT POOL (STIP)

The Short Term Investment Pool (STIP), created in 1973, provides participants access to a short-term money market fund. Shares are fixed at \$1.00, fractional shares may be purchased, and participants may buy or sell shares with one business day's notice. Income is distributed on the first day of the month.

The upper graph depicts the net asset value of the pool at June 30. The lower graph shows the historical yield to participants based on distributed income after management and custody fees are deducted.

## Annual STIP Yields

(In % Net of Management Fees)



There were 496 accounts invested in STIP during the year, consisting of 300 state accounts and 196 local government accounts. The STIP distributed \$94.6 million to participants in 2008, compared to \$124.5 million in 2007.

The consolidated investment pool financial statement begins on Page B-1. A list of the individual securities in the STIP portfolio is shown on Page B-46 in Appendix B.

The tables on the next page show:

- The changes in Net Asset Value by major participant type,
- The changes in book value of portfolio securities, and
- The securities portfolio's total rate of return.

**STIP NAV Annual Change By Participant At June 30**

<u>Fund Type</u>	<u>2008 \$ NAV (1)</u>	<u>% of Total</u>	<u>2007 \$ NAV (1)</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Treasurer's Fund	818,868,548	35.3	733,882,467	26.3	84,986,081	11.6
Local Governments	499,966,368	21.6	924,558,963	33.1	(424,592,595)	(45.9)
Agency Operating	412,567,284	17.8	282,394,805	10.1	130,172,479	46.1
Insurance Funds	132,914,429	5.7	125,080,839	4.5	7,833,591	6.3
Investment Pools	120,243,375	5.2	226,133,614	8.1	(105,890,239)	(46.8)
Trust Funds	95,727,888	4.1	136,168,457	4.9	(40,440,569)	(29.7)
Pension Funds	90,213,738	3.9	216,714,579	7.8	(126,500,841)	(58.4)
University System	75,750,034	3.3	105,539,945	3.8	(29,789,911)	(28.2)
Debt Service Funds	72,383,220	3.1	42,063,955	1.5	30,319,265	72.1
<b>Total</b>	<b>2,318,634,887</b>	<b>100.0</b>	<b>2,792,537,625</b>	<b>100.0</b>	<b>(473,902,739)</b>	<b>(17.0)</b>

(1) Net Asset Value

**STIP Annual Change At June 30**

<u>Investment Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Commercial Paper	1,278,677,750	55.1	1,824,945,022	65.4	(546,267,272)	(29.9)
U.S. Government Agency	439,007,788	18.9	49,999,456	1.8	389,008,332	778.0
Money Market	204,352,667	8.8	25,000,000	0.9	179,352,667	717.4
Corporate	179,971,989	7.8	165,002,561	5.9	14,969,428	N/A
Structured Investment Vehicles	140,000,000	6.0	719,791,694	25.8	(579,791,694)	(80.5)
Certificates of Deposit	79,997,934	3.4	0	0.0	79,997,934	N/A
Municipal Variable Rate (Unrated)	0	0.0	5,000,000	0.2	(5,000,000)	(100.0)
<b>Total Investments</b>	<b>2,322,008,128</b>	<b>100.0</b>	<b>2,789,738,734</b>	<b>100.0</b>	<b>(467,730,605)</b>	<b>(16.8)</b>

**STIP Total Rates of Returns Versus Benchmark**

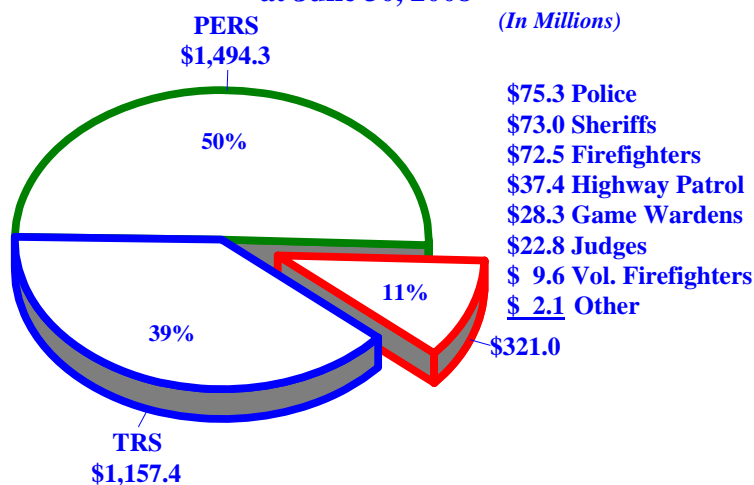
<u>Year</u>	<u>% Return</u>	<u>Benchmark</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2008	4.49	LIBOR 1 Month	4.10	0.39
3 Year Annualized Average	4.79	LIBOR 1 Month	4.66	0.13
5 Year Annualized Average	3.55	LIBOR 1 Month	3.51	0.04
10 Year Annualized Average	4.01	LIBOR 1 Month	3.87	0.14

**INVESTMENT OBJECTIVE/CONSTRAINTS**

- Diversified money market fund, producing a total rate of return exceeding the LIBOR one month index.
- Highly liquid portfolio.
- Maximum security maturity of 397 days.
- Participants include state agencies, local governments and school districts.
- Risk tolerance is low.

## MDEP Participants

Net Asset Value Of Participant Units \$2.97 Billion  
at June 30, 2008



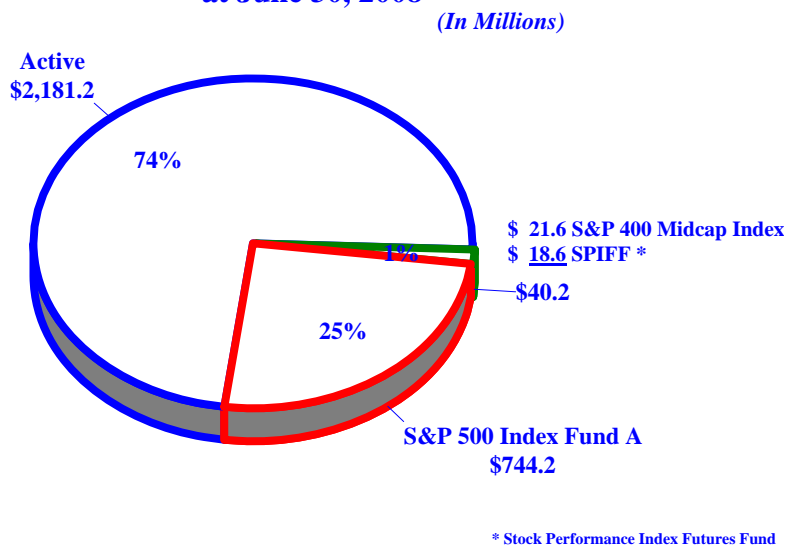
## MONTANA DOMESTIC EQUITY POOL (MDEP)

The Montana Domestic Equity Pool (MDEP) was created May 1, 2003, when all investments held in the Montana Common Stock Pool, the Standard and Poor's 500 Index Fund A and the Dimensional Fund Advisors US Small Cap Index were combined to create the pool.

The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of investments held by active and passive management.

## MDEP By Investment

Fair Value Of Investments \$2.97 Billion  
at June 30, 2008



The MDEP distributed \$21.9 million of income to participants in 2008, compared to \$22.9 million in 2007. Income distributed includes dividends, security lending and miscellaneous income. All realized capital gains and losses are retained in the pool.

The consolidated investment pool financial statement begins on Page B-1. The MDEP portfolio is shown on Page B-42 in Appendix B.

The tables on the following pages show:

- Changes in the fair value of the securities portfolio by manager,
- The difference between book and fair value of the securities portfolio, and
- The securities portfolio's total rate of return.



**MDEP Change At June 30 by Manager**

<u>Sector</u>	<u>2008 \$</u> <u>Fair Value</u>	<u>% of</u> <u>Total</u>	<u>2007 \$</u> <u>Fair Value</u>	<u>% of</u> <u>Total</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
S & P 500 Index (Passive)	744,236,640	25.1	1,282,790,640	37.0	(538,554,000)	(42.0)
T Rowe Price Large Cap Enh Index	199,642,816	6.7	229,138,389	6.6	(29,495,572)	(12.9)
JP Morgon Partial L/S	187,918,039	6.3	0	0.0	187,918,039	N/A
INTECH Large Cap Enh Index	183,071,350	6.2	208,529,329	6.0	(25,457,979)	(12.2)
Barrow Hanley Large Cap Value	181,886,892	6.1	0	0.0	181,886,892	N/A
WAMCO Large Cap Enh Index	164,767,126	5.6	230,041,410	6.6	(65,274,284)	(28.4)
Columbus Large Cap Growth	148,403,430	5.0	0	0.0	148,403,430	N/A
Renaissance Large Cap Growth	145,212,364	4.9	0	0.0	145,212,364	N/A
Rainier Large Cap Growth	144,401,083	4.9	0	0.0	144,401,083	N/A
Goldman Large Cap Enh Index	126,422,892	4.3	147,508,924	4.3	(21,086,032)	(14.3)
Quantitative Large Cap Value	122,804,963	4.1	0	0.0	122,804,963	N/A
Analytic Partial L/S	113,638,940	3.8	0	0.0	113,638,940	N/A
Martingale Mid Cap Core	105,838,593	3.6	120,573,029	3.5	(14,734,436)	(12.2)
Martingale Partial L/S	78,636,978	2.7	0	0.0	78,636,978	N/A
TimesSquare Mid Cap Growth	76,518,755	2.6	81,566,383	2.4	(5,047,628)	(6.2)
Artisan Mid Cap Value	61,286,655	2.1	67,860,668	2.0	(6,574,012)	(9.7)
DFA Small Cap Enhanced Index	53,150,403	1.8	77,259,926	2.2	(24,109,523)	(31.2)
Vaughan Nelson Small Cap Value	46,534,380	1.6	48,773,458	1.4	(2,239,078)	(4.6)
NorthPointe Small Cap Growth	41,099,668	1.4	54,108,336	1.6	(13,008,667)	(24.0)
S & P 400 Midcap Index	21,559,922	0.7	23,221,246	0.7	(1,661,323)	(7.2)
State Street SPIFF (1)	18,579,258	0.6	15,076,746	0.4	3,502,512	23.2
Internal Pool	0	0.0	880,441,304	25.4	(880,441,304)	(100.0)
Transition Pool	0	0.0	689,972	0.0	(689,972)	(100.0)
<b>Total</b>	<b>2,965,611,148</b>	<b>100.0</b>	<b>3,467,579,758</b>	<b>100.0</b>	<b>(501,968,611)</b>	<b>(14.5)</b>

(1) Stock Performance Index Futures Fund

**MDEP Book/Fair Values At June 30, 2008 by Manager**

<u>Sector</u>	<u>Book \$</u> <u>Value</u>	<u>Fair \$</u> <u>Value</u>	<u>Fair \$</u> <u>+/- Book</u>	<u>% of</u> <u>Book</u>	<u>% of</u> <u>Fair</u>
S & P 500 Index (Passive)	605,035,430	744,236,640	139,201,210	20.5	25.1
T Rowe Price Large Cap Enh Index	213,460,883	199,642,816	(13,818,066)	7.2	6.7
JP Morgon Partial L/S	194,618,726	187,918,039	(6,700,687)	6.6	6.3
INTECH Large Cap Enh Index	192,240,886	183,071,350	(9,169,536)	6.5	6.2
Barrow Hanley Large Cap Value	215,683,609	181,886,892	(33,796,716)	7.3	6.1
WAMCO Large Cap Enh Index	206,937,301	164,767,126	(42,170,175)	7.0	5.6
Columbus Large Cap Growth	137,892,186	148,403,430	10,511,243	4.7	5.0
Renaissance Large Cap Growth	147,953,437	145,212,364	(2,741,073)	5.0	4.9
Rainier Large Cap Growth	145,385,634	144,401,083	(984,552)	4.9	4.9
Goldman Large Cap Enh Index	125,956,387	126,422,892	466,505	4.3	4.3
Quantitative Large Cap Value	150,174,563	122,804,963	(27,369,600)	5.1	4.1
Analytic Partial L/S	120,060,936	113,638,940	(6,421,997)	4.1	3.8
Martingale Mid Cap Core	106,875,012	105,838,593	(1,036,418)	3.6	3.6
Martingale Partial L/S	78,381,026	78,636,978	255,952	2.7	2.7
TimesSquare Mid Cap Growth	79,962,897	76,518,755	(3,444,142)	2.7	2.6
Artisan Mid Cap Value	64,638,705	61,286,655	(3,352,050)	2.2	2.1
DFA Small Cap Enhanced Index	35,190,238	53,150,403	17,960,165	1.2	1.8
Vaughan Nelson Small Cap Value	46,455,456	46,534,380	78,924	1.6	1.6
NorthPointe Small Cap Growth	44,680,045	41,099,668	(3,580,377)	1.5	1.4
S & P 400 Midcap Index	17,955,912	21,559,922	3,604,010	0.6	0.7
State Street SPIFF (1)	20,211,621	18,579,258	(1,632,363)	0.7	0.6
<b>Total</b>	<b>2,949,750,890</b>	<b>2,965,611,148</b>	<b>15,860,257</b>	<b>100.0</b>	<b>100.0</b>

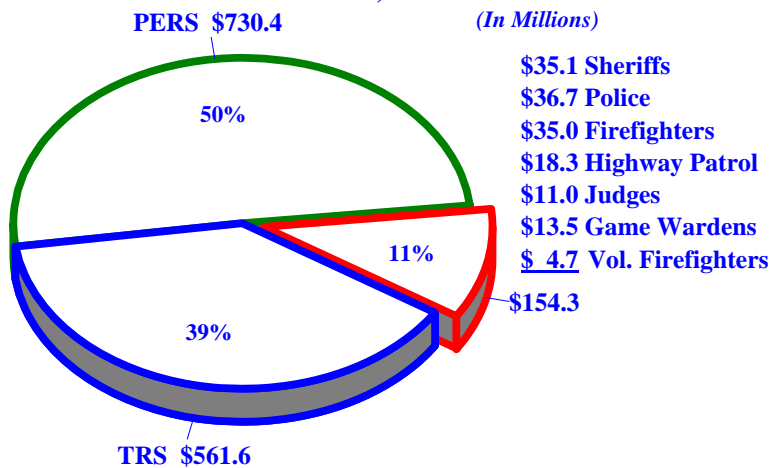
(1) Stock Performance Index Futures Fund

**MDEP Total Rates of Returns Versus Benchmark**

<b><u>Year</u></b>	<b><u>% Return</u></b>	<b><u>Benchmark</u></b>	<b><u>Benchmark % Return</u></b>	<b><u>Return +/- Benchmark</u></b>
<b>2008</b>	<b>(12.84)</b>	<b>S &amp; P 1500</b>	<b>(12.72)</b>	<b>(0.12)</b>
<b>3 Year Annualized Average</b>	<b>4.18</b>	<b>S &amp; P 1500</b>	<b>4.65</b>	<b>(0.47)</b>
<b>5 Year Annualized Average</b>	<b>7.10</b>	<b>S &amp; P 1500</b>	<b>8.15</b>	<b>(1.05)</b>
<b>10 Year Annualized Average</b>	<b>2.38</b>	<b>S &amp; P 1500</b>	<b>3.53</b>	<b>(1.15)</b>

## MTIP Participants

Net Asset Value Of Participant Units \$1.45 Billion  
at June 30, 2008



## MONTANA INTERNATIONAL EQUITY POOL (MTIP)

The Montana International Equity Pool (MTIP) was created in 1997 when the nine pension funds purchased pool shares to fund investments in international stock. Cash dividends, interest and related income currency gains/losses are distributed monthly.

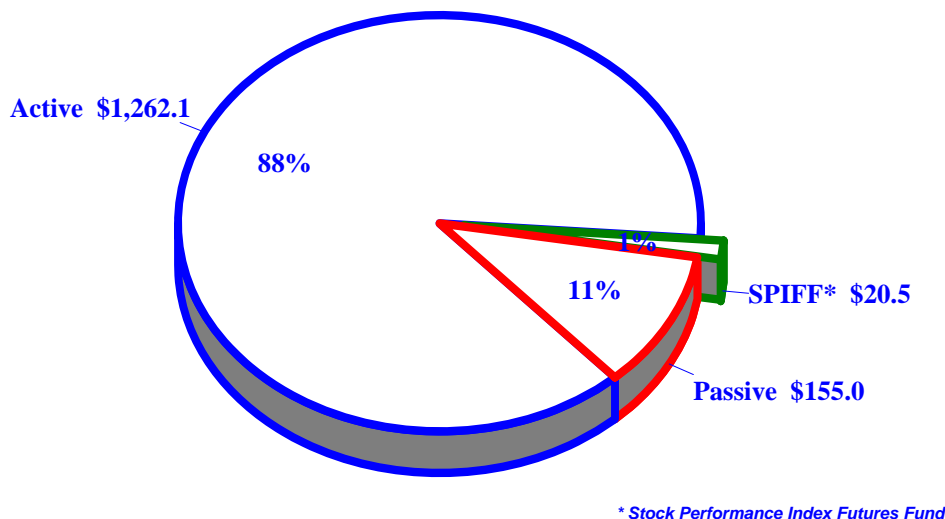
The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by active and passive management.

Any difference between the net asset value of the pool and the fair value of investments held is due to receivables/payables and/or cash included in the net asset value of the pool.

The MTIP distributed \$25.5 million of income to participants in 2008, compared to \$19.1 million in 2007.

## MTIP By Investment

Fair Value of Investments \$1.44 Billion  
at June 30, 2008



The consolidated investment pool financial statement begins on Page B-1. The MTIP portfolio is shown on Page B-43 in Appendix B.

The tables on the following pages show:

- Changes in the fair value of the securities portfolio by manager,
- The changes in securities fair value by country,
- The book and fair values of securities portfolios by country, and
- The portfolio's total rate of return.

<b><u>MTIP Change at June 30 by Manager</u></b>						
	<b>2008 \$</b>	<b>% of</b>	<b>2007 \$</b>	<b>% of</b>	<b>\$</b>	<b>%</b>
	<b><u>Fair Value \$</u></b>	<b><u>Total</u></b>	<b><u>Fair Value</u></b>	<b><u>Total</u></b>	<b><u>Change</u></b>	<b><u>Change</u></b>
Batterymarch	184,954,161	12.9	207,276,666	12.9	(22,322,505)	(10.8)
Artio Global (formerly Julius Baer)	175,324,223	12.2	192,552,525	11.9	(17,228,302)	(8.9)
BGI MSCI Europe (Passive) Equity Index	155,043,812	10.8	174,065,771	10.8	(19,021,960)	(10.9)
Acadian	140,562,932	9.8	161,385,799	10.0	(20,822,868)	(12.9)
AllianceBernstein	132,095,974	9.2	141,829,628	8.8	(9,733,654)	(6.9)
Martin Currie	124,669,945	8.7	123,828,328	7.7	841,617	0.7
Hansburger	117,647,120	8.2	127,183,018	7.9	(9,535,898)	(7.5)
BGI Global Ex US Alpha Tilt	117,096,633	8.1	126,482,238	7.8	(9,385,605)	(7.4)
Nomura Actively Managed Pacific Basin	87,607,840	6.1	97,504,912	6.0	(9,897,072)	(10.2)
Principal Global	68,179,918	4.7	72,389,671	4.5	(4,209,753)	(5.8)
DFA International Index	57,159,226	4.0	68,532,364	4.3	(11,373,138)	(16.6)
AXA Rosenberg International Small Cap	49,747,613	3.5	57,911,781	3.6	(8,164,169)	(14.1)
SSB EAFE Index	20,458,585	1.4	50,883,047	3.2	(30,424,461)	(59.8)
StateStreet Cash	7,092,888	0.5	10,245,619	0.6	(3,152,731)	(30.8)
<b>Total International Portfolios</b>	<b><u>1,437,640,868</u></b>	<b><u>100.0</u></b>	<b><u>1,612,071,367</u></b>	<b><u>100.0</u></b>	<b><u>(174,430,499)</u></b>	<b><u>(10.8)</u></b>

**MTIP Annual Change At June 30**

<u>Country</u>	<u>2008 \$</u> <u>Fair Value</u>	<u>% of</u> <u>Total</u>	<u>2007 \$</u> <u>Fair Value</u>	<u>% of</u> <u>Total</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Commingled Accounts	186,870,294	13.0	287,325,097	17.8	(100,454,802)	(35.0)
Japan	168,174,660	11.7	186,819,142	11.6	(18,644,481)	(10.0)
BGI Global Ex US Alpha Tilt	155,043,812	10.8	0	0.0	155,043,812	N/A
United Kingdom	129,715,160	9.0	141,522,336	8.8	(11,807,176)	(8.3)
Germany	78,858,322	5.5	84,083,860	5.2	(5,225,538)	(6.2)
US (ADR)*	75,716,235	5.3	42,010,883	2.6	33,705,352	80.2
France	67,502,708	4.7	100,730,411	6.2	(33,227,702)	(33.0)
DFA International Index	57,159,226	4.0	68,532,364	4.3	(11,373,138)	(16.6)
MSCI Europe Equity Index	49,747,613	3.5	174,065,771	10.8	(124,318,159)	(71.4)
Canada	49,716,338	3.5	35,890,007	2.2	13,826,331	38.5
Australia	47,035,005	3.3	50,915,926	3.2	(3,880,921)	(7.6)
Hong Kong	44,072,366	3.1	34,255,197	2.1	9,817,170	28.7
Switzerland	42,437,671	3.0	61,902,461	3.8	(19,464,789)	(31.4)
Italy	36,404,573	2.5	37,031,582	2.3	(627,009)	(1.7)
Netherlands	35,886,023	2.5	45,873,044	2.8	(9,987,021)	(21.8)
Spain	34,032,983	2.4	20,443,255	1.3	13,589,728	66.5
EAFE Stock Performance Index	20,458,585	1.4	50,883,047	3.2	(30,424,461)	(59.8)
Korea	18,269,893	1.3	29,199,894	1.8	(10,930,001)	(37.4)
Finland	15,418,566	1.1	14,315,298	0.9	1,103,268	7.7
Austria	13,804,890	1.0	13,930,219	0.9	(125,329)	(0.9)
Singapore	13,421,869	0.9	14,983,915	0.9	(1,562,046)	(10.4)
Norway	13,130,710	0.9	10,320,168	0.6	2,810,541	27.2
Denmark	12,176,042	0.8	13,037,001	0.8	(860,959)	(6.6)
Sweden	8,781,470	0.6	23,603,481	1.5	(14,822,011)	(62.8)
Taiwan	8,560,020	0.6	7,360,087	0.5	1,199,933	16.3
Belgium	8,427,354	0.6	8,488,887	0.5	(61,533)	(0.7)
US \$ Cash	7,092,888	0.5	10,245,619	0.6	(3,152,731)	(30.8)
Brazil	6,965,888	0.5	1,981,024	0.1	4,984,864	251.6
Greece	6,768,565	0.5	7,999,225	0.5	(1,230,660)	(15.4)
Mexico	5,914,973	0.4	6,854,022	0.4	(939,049)	(13.7)
South Africa	4,657,980	0.3	1,850,274	0.1	2,807,706	151.7
Portugal	2,616,331	0.2	2,884,776	0.2	(268,446)	(9.3)
Thailand	2,082,642	0.1	5,404,292	0.3	(3,321,651)	(61.5)
Israel	1,972,933	0.1	1,871,608	0.1	101,326	5.4
Malaysia	1,857,066	0.1	4,493,461	0.3	(2,636,395)	(58.7)
Turkey	1,744,517	0.1	3,568,453	0.2	(1,823,936)	(51.1)
Indonesia	1,404,300	0.1	982,562	0.1	421,738	42.9
Philippines	1,099,907	0.1	1,226,819	0.1	(126,913)	(10.3)
Poland	997,288	0.1	768,410	0.0	228,878	29.8
Czech Republic	769,564	0.1	0	0.0	769,564	N/A
Ireland	629,007	0.0	1,975,479	0.1	(1,346,472)	(68.2)
New Zealand	244,630	0.0	438,522	0.0	(193,892)	(44.2)
Hungary	0	0.0	2,003,487	0.1	(2,003,487)	(100.0)
<b>Total</b>	<b>1,437,640,868</b>	<b>100.0</b>	<b>\$1,612,071,367</b>	<b>100.0</b>	<b>(\$174,430,499)</b>	<b>(10.8)</b>

\*Represents ownership in the shares of a foreign company trading on US financial markets.

**MTIP Book/Fair Values At June 30, 2008**

<u>Country</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Commingled Accounts	170,825,815	186,870,294	16,044,479	12.9	13.0
Japan	175,132,645	168,174,660	(6,957,985)	13.3	11.7
BGI Global Ex US Alpha Tilt	93,208,727	155,043,812	61,835,085	7.1	10.8
United Kingdom	135,918,845	129,715,160	(6,203,685)	10.3	9.0
Germany	71,763,475	78,858,322	7,094,846	5.4	5.5
US (ADR)*	59,444,691	75,716,235	16,271,544	4.5	5.3
France	73,476,141	67,502,708	(5,973,432)	5.6	4.7
DFA International Index	50,564,305	57,159,226	6,594,921	3.8	4.0
MSCI Europe Equity Index	46,908,465	49,747,613	2,839,148	3.6	3.5
Canada	41,840,802	49,716,338	7,875,536	3.2	3.5
Australia	35,668,174	47,035,005	11,366,831	2.7	3.3
Hong Kong	44,311,905	44,072,366	(239,539)	3.4	3.1
Switzerland	40,893,896	42,437,671	1,543,776	3.1	3.0
Italy	40,017,833	36,404,573	(3,613,260)	3.0	2.5
Netherlands	34,642,646	35,886,023	1,243,378	2.6	2.5
Spain	34,179,576	34,032,983	(146,593)	2.6	2.4
EAFE Stock Performance Index	19,659,934	20,458,585	798,651	1.5	1.4
Korea	17,699,117	18,269,893	570,776	1.3	1.3
Finland	15,820,495	15,418,566	(401,929)	1.2	1.1
Austria	12,591,907	13,804,890	1,212,983	1.0	1.0
Singapore	11,685,220	13,421,869	1,736,649	0.9	0.9
Norway	10,467,297	13,130,710	2,663,413	0.8	0.9
Denmark	8,647,759	12,176,042	3,528,284	0.7	0.8
Sweden	9,726,554	8,781,470	(945,084)	0.7	0.6
Taiwan	8,325,947	8,560,020	234,073	0.6	0.6
Belgium	12,405,503	8,427,354	(3,978,150)	0.9	0.6
US \$ Cash	7,092,888	7,092,888	0	0.5	0.5
Brazil	6,283,707	6,965,888	682,181	0.5	0.5
Greece	6,809,661	6,768,565	(41,096)	0.5	0.5
Mexico	5,722,857	5,914,973	192,117	0.4	0.4
South Africa	4,466,878	4,657,980	191,102	0.3	0.3
Portugal	2,510,681	2,616,331	105,650	0.2	0.2
Thailand	2,096,267	2,082,642	(13,625)	0.2	0.1
Israel	1,322,599	1,972,933	650,335	0.1	0.1
Malaysia	1,922,403	1,857,066	(65,337)	0.1	0.1
Turkey	1,403,549	1,744,517	340,968	0.1	0.1
Indonesia	1,462,993	1,404,300	(58,693)	0.1	0.1
Philippines	1,108,064	1,099,907	(8,157)	0.1	0.1
Poland	924,737	997,288	72,551	0.1	0.1
Czech Republic	418,951	769,564	350,613	0.0	0.1
Ireland	591,692	629,007	37,315	0.0	0.0
New Zealand	<u>344,101</u>	<u>244,630</u>	<u>(99,471)</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b><u>1,320,309,702</u></b>	<b><u>1,437,640,868</u></b>	<b><u>117,331,167</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

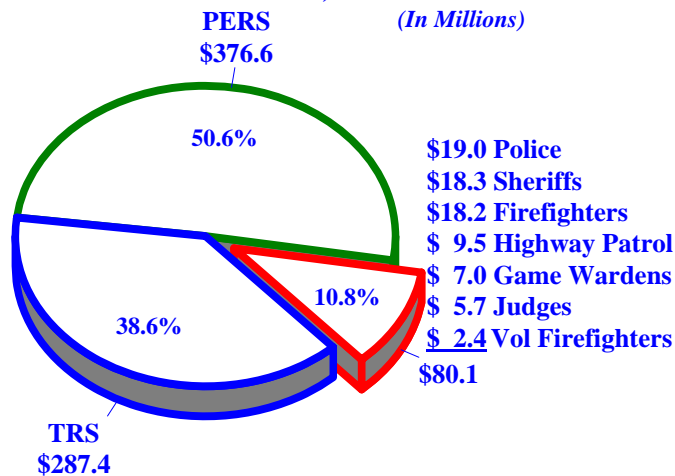
\*Represents ownership in the shares of a foreign company trading on US financial markets.

**MTIP Total Rates of Returns Versus Benchmark**

<u>Year</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2008	(9.16)	MTIP Custom Benchmark	(7.08)	(2.08)
3 Year Annualized Average	14.66	MTIP Custom Benchmark	15.04	(0.38)
5 Year Annualized Average	17.59	MTIP Custom Benchmark	18.03	(0.44)
10 Year Annualized Average	8.51	MTIP Custom Benchmark	6.45	2.06

## MPEP Participants

Net Asset Value Of Participant Units \$744.1 Million  
at June 30, 2008



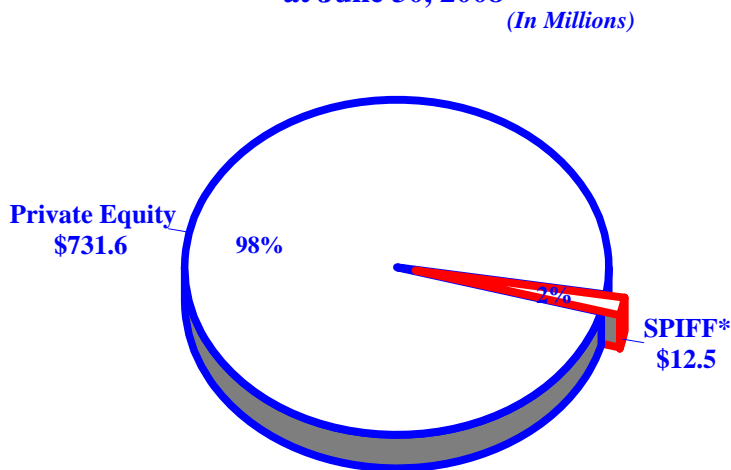
## MONTANA PRIVATE EQUITY POOL (MPEP)

The Montana Private Equity Pool was created on May 1, 2002 when all private equity investments held by the nine pension funds were transferred to the pool. Each pension fund received shares in the pool equal to the fair value of their private equity investments and also transferred cash to the pool to provide liquidity for investments.

The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by the pool.

## MPEP By Investment

Fair Value Of Investments \$744.1 Million  
at June 30, 2008



Any difference between the net asset value of the pool and the fair value of investments held is due to receivables/payables and/or cash included in the net asset value of the pool.

The MPEP distributed \$1.6 million of income to participants in 2008, compared to \$2.2 million in 2007.

\* Stock Performance Index Futures Fund

The consolidated investment pool financial statement begins on Page B-1. The MPEP portfolio is shown on Page B-44 in Appendix B.

The tables on the following pages show:

- Changes in the fair value of the securities portfolio by manager,
- The difference between book and fair value of the securities portfolio, and
- The portfolio's total rate of return.

**MPEP Change At June 30 by Manager**

<u>Manager/Investment Type</u>	<u>2008 \$</u> <u>Fair Value</u>	<u>% of</u> <u>Total</u>	<u>2007 \$</u> <u>Fair Value</u>	<u>% of</u> <u>Total</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Adams Street Partners	213,905,012	28.7	211,024,523	33.9	2,880,488	1.4
Welsh Carson Anderson&Stowe	55,295,005	7.4	46,364,044	7.5	8,930,961	19.3
Lexington Capital	54,877,081	7.4	41,201,178	6.6	13,675,903	33.2
Madison Dearborn Capital	51,042,289	6.9	47,150,676	7.6	3,891,612	8.3
Carlyle Partners	44,341,656	6.0	31,830,124	5.1	12,511,531	39.3
Kolberg Kravis & Roberts (KKR)	33,302,222	4.5	54,955,561	8.8	(21,653,339)	(39.4)
Arclight Capital	33,251,388	4.5	26,405,384	4.2	6,846,003	25.9
Oak Hill Capital	28,272,370	3.8	18,390,377	3.0	9,881,994	53.7
Lehman Brothers	22,667,557	3.0	17,376,904	2.8	5,290,653	30.4
First Reserve	20,279,546	2.7	2,394,463	0.4	17,885,083	746.9
JLL Partners	19,222,145	2.6	12,722,347	2.0	6,499,798	51.1
Portfolio Advisors	16,336,246	2.2	6,949,545	1.1	9,386,701	135.1
Matlin Patterson	15,050,621	2.0	600,000	0.1	14,450,621	2,408.4
Avenue Capital	14,665,298	2.0	0	0.0	14,665,298	N/A
Odyssey Partners	13,453,643	1.8	15,395,858	2.5	(1,942,216)	(12.6)
Terra Firma	13,310,847	1.8	0	0.0	13,310,847	N/A
J.C. Flowers	12,963,283	1.7	5,687,979	0.9	7,275,304	127.9
Hellman & Friedman	12,912,906	1.7	4,344,840	0.7	8,568,066	197.2
SPIFF (1)	12,507,838	1.7	47,382,427	7.6	(34,874,589)	(73.6)
MHR Institutional	12,325,993	1.7	6,780,434	1.1	5,545,559	81.8
Quintana Energy	8,422,285	1.1	5,435,543	0.9	2,986,742	54.9
Industry Ventures	7,768,251	1.0	2,239,350	0.4	5,528,901	246.9
CCMP	6,720,929	0.9	6,891,683	1.1	(170,754)	(2.5)
Siguler Guff	5,390,229	0.7	0	0.0	5,390,229	N/A
Harbour Vest	4,485,749	0.6	0	0.0	4,485,749	N/A
Buerk Dale Victor	3,315,285	0.4	763,451	0.1	2,551,834	334.2
Oaktree Capital	3,052,739	0.4	8,582,281	1.4	(5,529,542)	(64.4)
Affinity	2,968,762	0.4	13,980	0.0	2,954,782	21,135.8
Highway 12 Ventures	1,991,776	0.3	1,014,597	0.2	977,179	96.3
<b>Total Investments</b>	<b><u>744,098,947</u></b>	<b><u>100.0</u></b>	<b><u>621,897,548</u></b>	<b><u>100.0</u></b>	<b><u>122,201,398</u></b>	<b><u>19.6</u></b>

(1) Stock Performance Index Futures Fund



**MPEP Book/Fair Values At June 30, 2008 by Manager**

<u>Manager/Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Adams Street Partners	184,993,885	213,905,012	28,911,127	28.9	28.7
Welsh Carson Anderson&Stowe	42,043,055	55,295,005	13,251,951	6.6	7.4
Lexington Capital	30,463,525	54,877,081	24,413,556	4.8	7.4
Madison Dearborn Capital	39,887,294	51,042,289	11,154,994	6.2	6.9
Carlyle Partners	40,606,539	44,341,656	3,735,117	6.3	6.0
Kolberg Kravis & Roberts (KKR)	31,328,674	33,302,222	1,973,548	4.9	4.5
Arclight Capital	32,175,265	33,251,388	1,076,123	5.0	4.5
Oak Hill Capital	22,287,066	28,272,370	5,985,305	3.5	3.8
Lehman Brothers	17,469,586	22,667,557	5,197,971	2.7	3.0
First Reserve	18,521,706	20,279,546	1,757,840	2.9	2.7
JLL Partners	13,424,148	19,222,145	5,797,997	2.1	2.6
Portfolio Advisors	15,754,779	16,336,246	581,466	2.5	2.2
Matlin Patterson	12,370,624	15,050,621	2,679,997	1.9	2.0
Avenue Capital	15,938,965	14,665,298	(1,273,667)	2.5	2.0
Odyssey Partners	11,245,894	13,453,643	2,207,749	1.8	1.8
Terra Firma	12,173,472	13,310,847	1,137,375	1.9	1.8
J.C. Flowers	18,207,293	12,963,283	(5,244,010)	2.8	1.7
Hellman & Friedman	12,567,684	12,912,906	345,222	2.0	1.7
SPIFF (1)	13,474,961	12,507,838	(967,123)	2.1	1.7
MHR Institutional	10,788,757	12,325,993	1,537,236	1.7	1.7
Quintana Energy	8,791,401	8,422,285	(369,116)	1.4	1.1
Industry Ventures	6,909,491	7,768,251	858,760	1.1	1.0
CCMP	6,551,322	6,720,929	169,607	1.0	0.9
Siguler Guff	5,708,023	5,390,229	(317,794)	0.9	0.7
Harbour Vest	4,500,000	4,485,749	(14,252)	0.7	0.6
Buerk Dale Victor	4,050,000	3,315,285	(734,715)	0.6	0.4
Oaktree Capital	2,625,001	3,052,739	427,738	0.4	0.4
Affinity	2,995,454	2,968,762	(26,692)	0.5	0.4
Highway 12 Ventures	<u>2,158,305</u>	<u>1,991,776</u>	<u>(166,528)</u>	<u>0.3</u>	<u>0.3</u>
<b>Total Investments</b>	<b><u>640,012,167</u></b>	<b><u>744,098,947</u></b>	<b><u>104,086,780</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

(1) Stock Performance Index Futures Fund

**MPEP Total Rates of Returns Versus Benchmark**

<u>Year</u>	<u>% Return</u>	<u>Benchmark</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
2008	9.77	S&P 1500 + 4.0%	(8.72)	18.49
3 Year Annualized Average	17.57	S&P 1500 + 4.0%	8.65	8.92
5 Year Annualized Average	19.86	S&P 1500 + 4.0%	12.15	7.71

Private equity investments are participations in non-publicly traded equity ownership of a fund or operating company either directly or more commonly through a partnership. As of June 30, 2008, 28 private equity managers invested the pool's assets.

The types of investments made by private equity managers generally fall into the following categories:

**Private Equity** – Private equity investments in funds or operating companies in an asset class other than cash, stocks, or fixed income securities and real estate.

**Venture Capital** – Equity or equity-like investments in companies that have undeveloped or developing products or revenue.

**Leveraged Buy-Outs** – Equity investments in public or private companies that purchase a significant portion or majority control of the company.

**Mezzanine** – Investments in the subordinated debt and/or equity of privately owned companies. The debt holder participates in equity appreciation through conversion features, such as rights, warrants, and/or options.

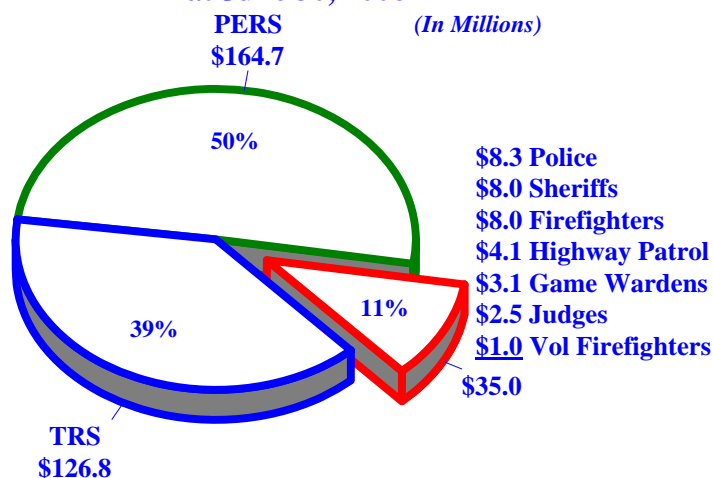
**Special Situations** – Includes: 1) investments in the exploration for oil and/or gas reserves or in the development of proven reserves; 2) investments in land to harvest timber; and 3) investments that have a special component usually related to geographical, economic, or social issues sometimes referred to as Economically Targeted Investments.

**Secondary Investments** – Investments in a previously-owned limited partnership or investment in previously owned limited partnership via a secondary fund.

**Distressed Debt** – Public and private debt of companies that appear unlikely to meet their financial obligations but are attractive to investors, not for repayment of interest and principal which are unlikely to be paid, but for the claim placed on the firm's value by unpaid creditors.

## MTRP Participants

Net Asset Value Of Participant Units \$326.5 Million  
at June 30, 2008



## MONTANA REAL ESTATE POOL (MTRP)

The Montana Real Estate Pool (MTRP) was created April 26, 2006 to permit the nine pension funds to participate in a diversified real estate portfolio.

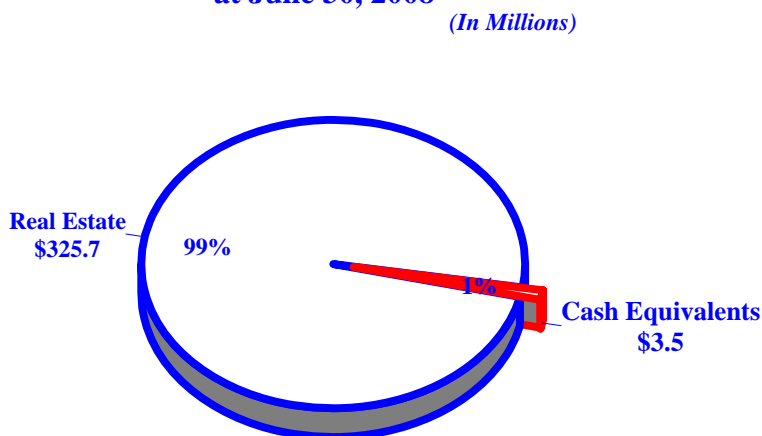
The upper graph depicts the net asset value of the pool at June 30. The lower graph represents the fair value of the securities held by the pool.

The Board has approved an allocation of up to 8.0 percent of pension funds to real estate. This pool will grow rather rapidly as newly hired managers begin to draw down capital.

The MTRP distributed \$4.1 million of income to participants in 2008, compared to \$2.1 million in 2007.

## MTRP By Investment

Fair Value Of Investments \$329.2 Million  
at June 30, 2008



The consolidated investment pool financial statement begins on Page B-1. The MTRP portfolio is shown on Page B-45 in Appendix B.

The tables on the following pages show:

- Changes in the book value of the securities portfolio by manager,
- The difference between book and fair value of the securities portfolio, and
- The portfolio's total rate of return.

**MTRP Annual Change At June 30**

<u>Investment Type</u>	<u>2008 \$</u> <u>Book Value</u>	<u>% of</u> <u>Total</u>	<u>2007 \$</u> <u>Book Value</u>	<u>% of</u> <u>Total</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
JP Morgan Chase Bank Strategig	68,141,976	21.3	50,421,317	32.3	17,720,658	35.1
Clarion Lion Properties Fund	45,000,000	14.1	30,000,000	19.2	15,000,000	50.0
INVESCO Core RE - USA	45,000,000	14.1	0	0.0	45,000,000	N/A
Hudson Realty Capital Fund IV	21,500,000	6.7	6,750,000	4.3	14,750,000	218.5
TA Associates Realty Fund VIII	16,000,000	5.0	5,000,000	3.2	11,000,000	220.0
JER RE Partners Fund IV	14,961,499	4.7	0	0.0	14,961,499	N/A
ABR Chesapeake Fund III	13,845,514	4.3	8,000,000	5.1	5,845,514	73.1
Strategic Partners Value	13,724,239	4.3	4,846,159	3.1	8,878,080	183.2
Morgan Stanley RE Fund VI Intl	13,600,275	4.3	0	0.0	13,600,275	N/A
Beacon Capital Partners Fund V	12,500,000	3.9	0	0.0	12,500,000	N/A
DRA Advisors VI	10,272,803	3.2	0	0.0	10,272,803	N/A
Liquid Realty Fund IV	9,239,713	2.9	0	0.0	9,239,713	N/A
Carlyle Europe RE Partners III	6,343,764	2.0	0	0.0	6,343,764	N/A
O'Connor North Amer Prop Partners	5,619,075	1.8	0	0.0	5,619,075	N/A
AG Core Plus Realty Fund II	4,881,597	1.5	0	0.0	4,881,597	N/A
Apollo Real Estate Finance Corp.	4,798,000	1.5	1,210,000	0.8	3,588,000	296.5
Macquarie Global Prop Fund III	3,794,964	1.2	0	0.0	3,794,964	N/A
AG (Angelo Gordon) Realty Fund VII	3,600,000	1.1	0	0.0	3,600,000	N/A
Rothschild: Five Arrows Realty Sec F	2,499,076	0.8	0	0.0	2,499,076	N/A
CIM Fund III	<u>653,372</u>	<u>0.2</u>	<u>0</u>	<u>0.0</u>	<u>653,372</u>	<u>N/A</u>
<b>Total Real Estate</b>	<b><u>315,975,867</u></b>	<b><u>98.9</u></b>	<b><u>106,227,476</u></b>	<b><u>68.0</u></b>	<b><u>209,748,391</u></b>	<b><u>197.5</u></b>
<b>Short Term Investment Pool</b>	<b><u>3,461,067</u></b>	<b><u>1.1</u></b>	<b><u>50,097,254</u></b>	<b><u>32.0</u></b>	<b><u>(46,636,187)</u></b>	<b><u>(93.1)</u></b>
<b>Total Investments</b>	<b>319,436,934</b>	<b>100.0</b>	<b>156,324,730</b>	<b>100.0</b>	<b>163,112,204</b>	<b>104.3</b>

**MTRP Book/Fair Values At June 30, 2008**

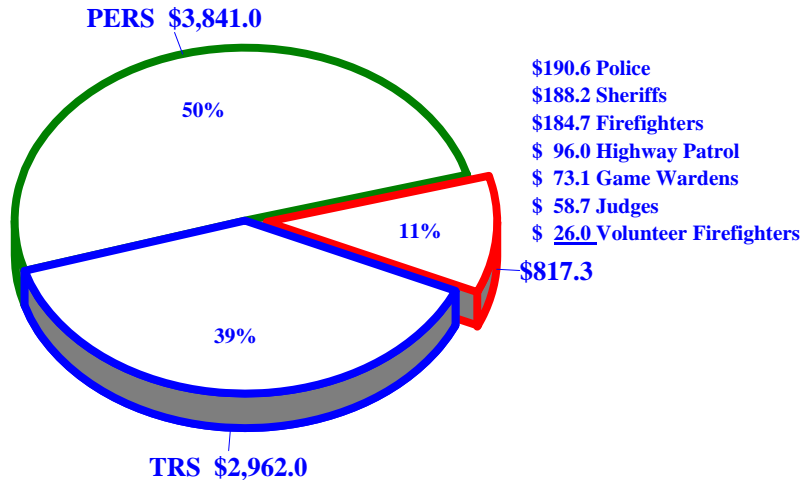
<u>Investment Type</u>	<u>Book \$</u> <u>Value</u>	<u>Fair \$</u> <u>Value</u>	<u>Fair \$</u> <u>+/- Book</u>	<u>% of</u> <u>Book</u>	<u>% of</u> <u>Fair</u>
JP Morgan Chase Bank Strategic Pro]	68,141,976	72,327,177	4,185,201	21.3	22.0
Clarion Lion Properties Fund	45,000,000	49,193,888	4,193,888	14.1	14.9
INVESCO Core Real Estate - USA	45,000,000	46,223,196	1,223,196	14.1	14.0
Hudson Realty Capital Fund IV	21,500,000	21,804,333	304,333	6.7	6.6
TA Associates Realty Fund VIII	16,000,000	16,540,560	540,560	5.0	5.0
Strategic Partners Value Enhancemen	13,724,239	15,535,633	1,811,394	4.3	4.7
JER Real Estate Partners Fund IV	14,961,499	14,740,039	(221,460)	4.7	4.5
ABR Chesapeake Fund III	13,845,514	14,534,204	688,690	4.3	4.4
Beacon Capital Partners Fund V	12,500,000	12,097,988	(402,013)	3.9	3.7
Morgan Stanley Real Estate Fund VI	13,600,275	11,768,644	(1,831,631)	4.3	3.6
DRA Advisors VI	10,272,803	10,272,803	0	3.2	3.1
Liquid Realty Fund IV	9,239,713	9,743,093	503,380	2.9	3.0
Carlyle Europe Real Estate Partners I	6,343,764	6,093,312	(250,452)	2.0	1.9
O'Connor North American Property I	5,619,075	5,619,075	0	1.8	1.7
Apollo Real Estate Finance Corp.	4,798,000	4,718,134	(79,866)	1.5	1.4
AG Core Plus Realty Fund II	4,881,597	4,674,090	(207,507)	1.5	1.4
Macquarie Global Property Fund III	3,794,964	3,670,929	(124,035)	1.2	1.1
AG (Angelo Gordon) Realty Fund VII	3,600,000	3,189,233	(410,767)	1.1	1.0
Rothschild: Five Arrows Realty Secur	2,499,076	2,496,345	(2,731)	0.8	0.8
CIM Fund III	<u>653,372</u>	<u>482,560</u>	<u>(170,812)</u>	<u>0.2</u>	<u>0.1</u>
<b>Total Real Estate</b>	<b><u>315,975,867</u></b>	<b><u>325,725,235</u></b>	<b><u>9,749,367</u></b>	<b><u>98.9</u></b>	<b><u>98.9</u></b>
<b>Short Term Investment Pool</b>	<b><u>3,461,067</u></b>	<b><u>3,461,067</u></b>	<b><u>0</u></b>	<b><u>1.1</u></b>	<b><u>1.1</u></b>
<b>Total Investments</b>	<b><u>319,436,934</u></b>	<b><u>329,186,302</u></b>	<b><u>9,749,367</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

<b><u>MTRP Total Rates of Returns Versus Benchmark</u></b>				
<b><u>Year</u></b>	<b><u>% Return</u></b>	<b><u>Benchmark</u></b>	<b><u>Benchmark % Return</u></b>	<b><u>Return +/- Benchmark</u></b>
<b>2008</b>	<b>5.97</b>	<b>NCREIF Property</b>	<b>9.23</b>	<b>(3.26)</b>

## Pension Funds By Source

**\$7.62 Billion Fair Value At June 30, 2008**

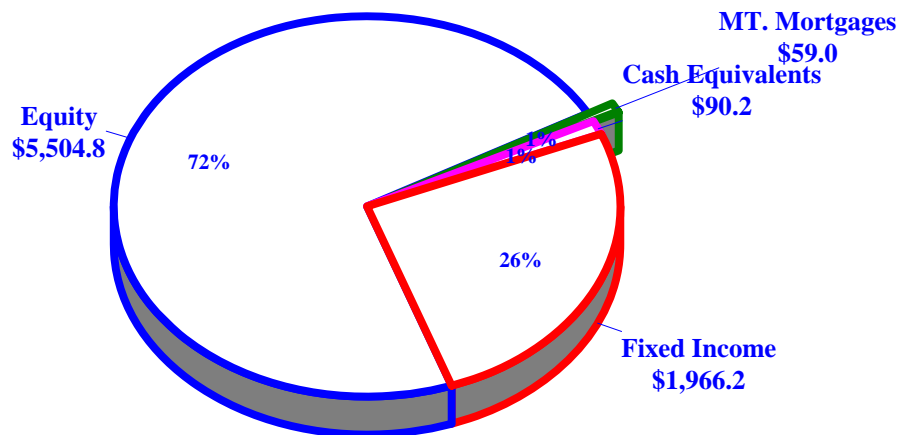
(In Millions)



## Pension Funds By Investment

**\$7.62 Billion Fair Value At June 30, 2008**

(In Millions)



## PENSION FUNDS

By law, all public pension funds in the state, including local governments and school districts, are managed by the state. The Board of Investments manages all pension fund investments. Pension fund operations are administered by two boards appointed by the Governor.

The Teachers' Retirement Board manages the Teachers' Retirement System (TRS), while the

Public Employees' Retirement Board manages the other eight systems.

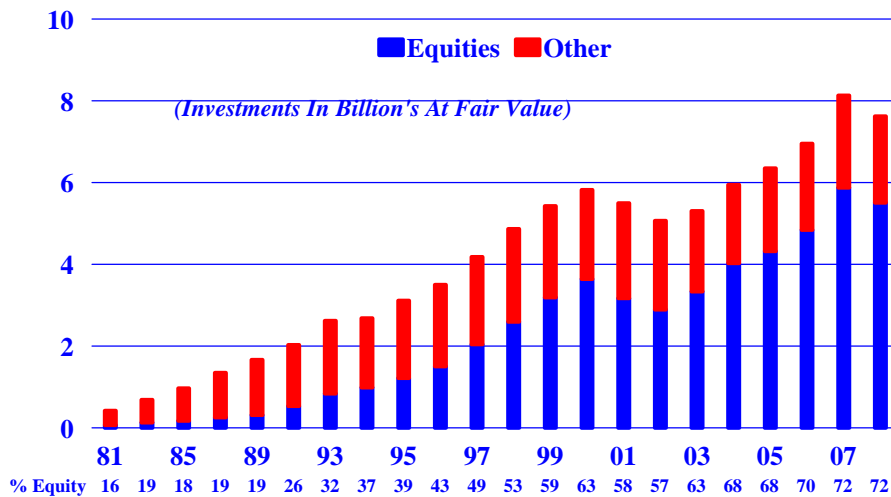
The upper graph depicts the state's nine pension fund investment portfolios at fair value as of June 30. The lower graph depicts total pension fund investments by major investment type.

As of June 30 approximately 99 percent of pension fund investments at fair value were managed in various investment pools created by the Board. These

pools, which operate similar to mutual funds, simplify investing and accounting, and provide broader diversification for the smaller funds. Income is distributed monthly to pool participants.

The pension funds earned \$198.6 million on their investments in 2008, compared to \$333.4 million in 2007. The total rate of return of each fund is shown on the following pages.

## Pension Equity Investments



The Board has increased pension investments in equities in recent years to increase the total rate of return. The current range for total equity investments is 60-70% of total pension assets. The allocation was maintained in the upper end of the range throughout the fiscal year.

Declining equity prices reduced fair value of total pension fund investments from 2001 through 2003. Pension fund assets of \$5.95 billion in 2004 finally surpassed the 2000 value at the peak of the stock market bubble.

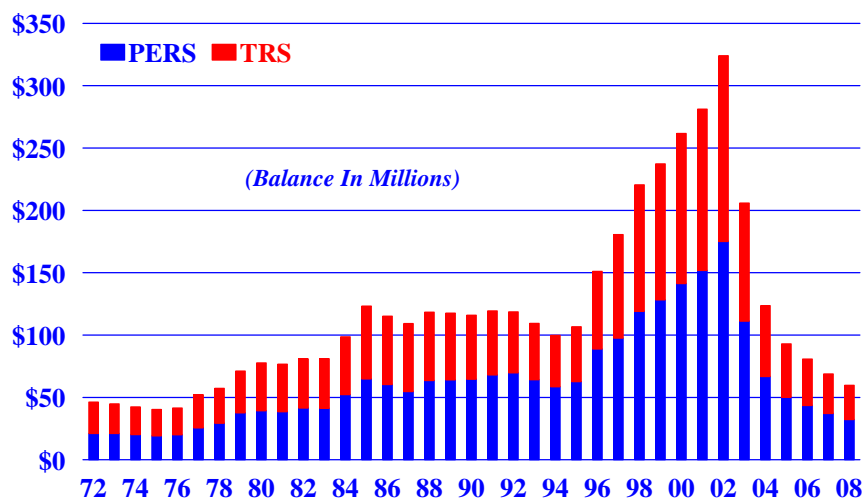
During 2001 through 2003 the Board actively sold fixed-income investments and invested the sale proceeds in the equity markets.

This rebalancing and a resurgent of domestic and international stock markets brought pension fund equity allocation to 68 percent of total pension fund investments in 2004.

From 1994 to 2002, the Board significantly

## Pension Mortgages History

Outstanding Principal At Year-End



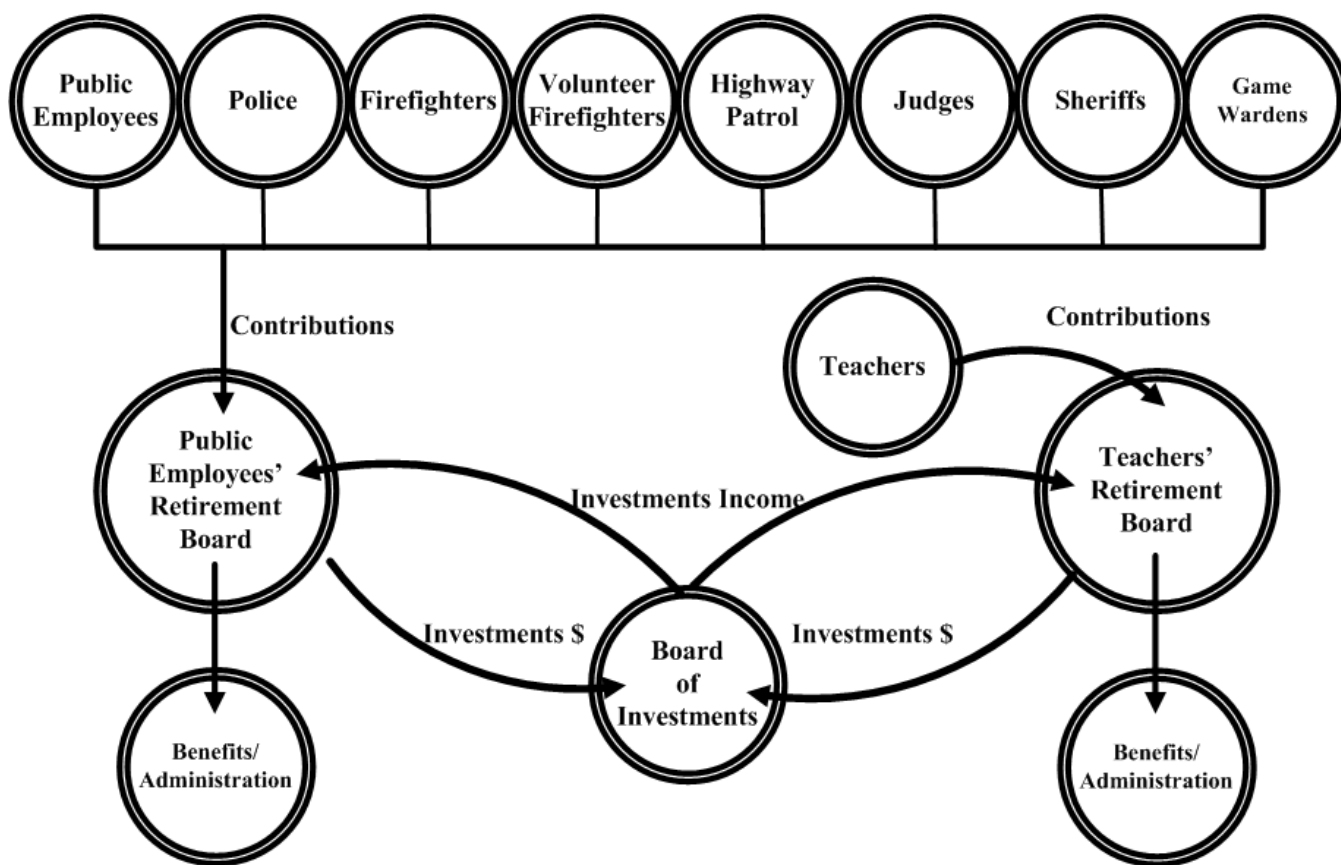
increased pension investments in Montana residential mortgages. Mortgage investments peaked at \$324.0 million in 2002. From 2003 through 2005, mortgage rates on the secondary market declined to less than 6 percent and the Board declined to purchase mortgages for the pension funds at these rates. This policy, combined with significant mortgage re-financings caused a significant drop in the pension mortgage portfolio to \$59.7 million at year-end 2008.

<b>Pension Funds Annual Book Value Change At June 30</b>						
<b>Fund</b>	<b>2008 \$ Book Value</b>	<b>% of Total</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% of Change</b>
Public Employees	2,596,905,188	50.2	2,555,999,805	50.2	40,905,383	1.6
Teachers	1,992,790,973	38.5	1,976,828,420	38.8	15,962,553	0.8
Police	137,299,263	2.7	133,138,238	2.6	4,161,026	3.1
Firefighters	134,409,185	2.6	127,771,817	2.5	6,637,368	5.2
Sheriffs	133,769,605	2.6	127,876,186	2.5	5,893,419	4.6
Highway Patrol	65,651,211	1.3	64,981,471	1.3	669,740	1.0
Game Wardens	55,128,207	1.1	49,832,066	1.0	5,296,141	10.6
Judges	40,433,951	0.8	39,231,024	0.8	1,202,927	3.1
Volunteer Firefighters	20,274,641	0.4	19,669,979	0.4	604,662	3.1
<b>Total</b>	<b>5,176,662,224</b>	<b>100.0</b>	<b>5,095,329,005</b>	<b>100.0</b>	<b>81,333,219</b>	<b>1.6</b>
<b>Investment Type</b>						
Retirement Funds Bond Pool	1,989,955,106	38.4	1,994,113,348	39.1	(4,158,242)	(0.2)
Equities	2,703,291,446	52.2	2,643,798,155	51.9	59,493,291	2.3
Real Estate Pool	316,535,000	6.1	155,035,000	3.0	161,500,000	104.2
Direct Real Estate	16,964,552	0.3	16,830,392	0.3	134,161	0.8
Short Term Investment Pool	90,213,738	1.7	216,714,579	4.3	(126,500,841)	(58.4)
Montana Mortgages	59,702,382	1.2	68,837,530	1.4	(9,135,148)	(13.3)
<b>Total</b>	<b>5,176,662,224</b>	<b>100.0</b>	<b>5,095,329,005</b>	<b>100.0</b>	<b>81,333,219</b>	<b>1.6</b>

<b>Pension Funds Annual Fair Value Change At June 30</b>						
<b>Fund</b>	<b>2008 \$ Fair Value</b>	<b>% of Total</b>	<b>2007 \$ Fair Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% of Change</b>
Public Employees	3,840,967,298	50.4	4,092,006,497	50.3	(251,039,199)	(6.1)
Teachers	2,961,960,654	38.9	3,182,357,548	39.1	(220,396,894)	(6.9)
Police	190,589,682	2.5	202,111,670	2.5	(11,521,988)	(5.7)
Sheriffs	188,161,316	2.5	196,216,438	2.4	(8,055,123)	(4.1)
Firefighters	184,737,400	2.4	192,509,793	2.4	(7,772,394)	(4.0)
Highway Patrol	95,999,795	1.3	102,618,067	1.3	(6,618,272)	(6.4)
Game Wardens	73,124,533	1.0	73,194,406	0.9	(69,873)	(0.1)
Judges	58,658,494	0.8	61,806,036	0.8	(3,147,542)	(5.1)
Volunteer Firefighters	25,992,748	0.3	27,491,637	0.3	(1,498,889)	(5.5)
<b>Total</b>	<b>7,620,191,919</b>	<b>100.0</b>	<b>8,130,312,093</b>	<b>100.0</b>	<b>(510,120,173)</b>	<b>(6.3)</b>
<b>Investment Type</b>						
Retirement Funds Bond Pool	1,966,209,529	25.8	1,969,724,342	24.2	(3,514,813)	(0.2)
Equities	5,160,987,442	67.7	5,701,058,381	70.1	(540,070,939)	(9.5)
Real Estate Pool	326,540,884	4.3	157,501,001	1.9	169,039,883	107.3
Direct Real Estate	17,282,489	0.2	17,053,221	0.2	229,267	1.3
Short Term Investment Pool	90,213,738	1.2	216,714,579	2.7	(126,500,841)	(58.4)
Montana Mortgages	58,957,838	0.8	68,260,568	0.8	(9,302,730)	(13.6)
<b>Total</b>	<b>7,620,191,919</b>	<b>100.0</b>	<b>8,130,312,093</b>	<b>100.0</b>	<b>(510,120,173)</b>	<b>(6.3)</b>

The chart on the next page depicts the relationship of the two state Pension Boards to the Board of Investments in managing the state's nine pension fund assets and liabilities.





As depicted in the above chart the employee/employer contributions are collected by the two Pension Boards that administer the benefits. The actual employee/employer contribution levels and the formulas for benefits are set by law. The Pension Boards hire actuarial firms to value the nine systems and provide the assumptions used by the actuary in the valuations. The actuary determines the “soundness” of the systems based on the assumptions. Article VIII, Section 15 of the Montana State Constitution requires that the systems be “actuarially sound” as follows:

*(1) Public retirement systems shall be funded on an actuarially sound basis. Public retirement system assets, including income and actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses.*

*(2) The governing boards of public retirement systems shall administer the system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries.*

- State law defines a system as actuarially sound when its unfunded liability, if any, can be amortized in 30 years or less with the current level of contributions. As of June 30, 2008, the Teachers’ Retirement System was not actuarially sound as determined by the system’s actuary. The state’s remaining eight pension funds were actuarially sound as determined by the systems’ actuaries.

The tables on the following pages show information on the nine systems.

## Membership

<b><u>PERS</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	16,627	16,137
Vested Terminated	2,579	2,576
Non-vested Terminated	6,268	6,401
Active Members	<u>28,293</u>	<u>27,977</u>
<b>Total</b>	<b><u>53,767</u></b>	<b><u>53,091</u></b>

<b><u>Sheriffs</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	394	384
Vested Terminated	46	38
Non-vested Terminated	139	120
Active Members	<u>1,109</u>	<u>1,076</u>
<b>Total</b>	<b><u>1,688</u></b>	<b><u>1,618</u></b>

<b><u>Firefighters</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	535	519
Vested Terminated	9	9
Non-vested Terminated	52	52
Active Members	<u>525</u>	<u>480</u>
<b>Total</b>	<b><u>1,121</u></b>	<b><u>1,060</u></b>

<b><u>Highway Patrol</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	290	284
Vested Terminated	13	14
Non-vested Terminated	7	8
Active Members	<u>212</u>	<u>204</u>
<b>Total</b>	<b><u>522</u></b>	<b><u>510</u></b>

<b><u>Game Wardens</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	120	111
Vested Terminated	40	35
Non-vested Terminated	115	91
Active Members	<u>885</u>	<u>821</u>
<b>Total</b>	<b><u>1,160</u></b>	<b><u>1,058</u></b>

<b><u>Volunteer Firefighters</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	1,082	1,038
Vested Terminated	793	800
Active Members	<u>2,301</u>	<u>2,207</u>
<b>Total</b>	<b><u>4,176</u></b>	<b><u>4,045</u></b>

<b><u>Judges</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	50	51
Vested Terminated	5	5
Non-vested Terminated	-	-
Active Members	<u>51</u>	<u>51</u>
<b>Total</b>	<b><u>106</u></b>	<b><u>107</u></b>

<b><u>Teachers</u></b>	<b><u>7/01/2008</u></b>	<b><u>7/01/2007</u></b>
Retirees & Beneficiaries	11,788	11,356
Vested Terminated	1,649	1,671
Non-vested Terminated	9,574	8,963
Active Members	<u>18,292</u>	<u>18,176</u>
<b>Total</b>	<b><u>41,303</u></b>	<b><u>40,166</u></b>

<b><u>Police</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	636	592
Vested Terminated	34	37
Non-vested Terminated	58	38
Active Members	<u>673</u>	<u>640</u>
<b>Total</b>	<b><u>1,401</u></b>	<b><u>1,307</u></b>

<b><u>Total</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Retirees & Beneficiaries	31,522	30,472
Vested Terminated	5,168	5,185
Non-vested Terminated	16,213	15,673
Active Members	<u>52,341</u>	<u>51,632</u>
<b>System Total</b>	<b><u>105,244</u></b>	<b><u>102,962</u></b>

## Assets and Liabilities (In Thousands \$)

<b><u>PERS</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	4,504,743	4,201,251
Actuarial Assets (1)	4,065,307	3,825,234
<b>Unfunded Actuarial Liability</b>	<b>439,436</b>	<b>376,017</b>
<b>Funded Ratio</b>	<b>90.25%</b>	<b>91.05%</b>

<b><u>Sheriffs</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	204,549	189,036
Actuarial Assets	199,453	183,894
<b>Unfunded Actuarial Liability</b>	<b>5,096</b>	<b>5,142</b>
<b>Funded Ratio</b>	<b>97.51%</b>	<b>97.28%</b>

<b><u>Firefighters</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	287,218	269,399
Actuarial Assets	206,127	188,545
<b>Unfunded Actuarial Liability</b>	<b>81,091</b>	<b>80,854</b>
<b>Funded Ratio</b>	<b>71.77%</b>	<b>69.99%</b>

<b><u>Highway Patrol</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	134,683	128,306
Actuarial Assets	101,500	95,758
<b>Unfunded Actuarial Liability</b>	<b>33,183</b>	<b>32,548</b>
<b>Funded Ratio</b>	<b>75.36%</b>	<b>74.63%</b>

<b><u>Game Wardens</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	83,449	72,992
Actuarial Assets	77,511	68,755
<b>Unfunded Actuarial Liability</b>	<b>5,938</b>	<b>4,237</b>
<b>Funded Ratio</b>	<b>92.88%</b>	<b>94.20%</b>

<b><u>Volunteer Firefighters</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	32,735	31,599
Actuarial Assets	27,544	25,862
<b>Unfunded Actuarial Liability</b>	<b>5,191</b>	<b>5,737</b>
<b>Funded Ratio</b>	<b>84.14%</b>	<b>81.84%</b>

<b><u>Judges</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	39,435	36,863
Actuarial Assets	62,040	57,778
<b>Unfunded Actuarial Liability</b>	<b>(22,605)</b>	<b>(20,915)</b>
<b>Funded Ratio</b>	<b>157.32%</b>	<b>156.74%</b>

<b><u>Teachers</u></b>	<b><u>7/01/2008</u></b>	<b><u>7/01/2007</u></b>
Actuarial Liability	4,110,800	3,928,500
Actuarial Assets (1)	3,159,135	3,006,233
<b>Unfunded Actuarial Liability</b>	<b>951,665</b>	<b>922,267</b>
Less University Contributions	157,100	153,400
<b>Unfunded Actuarial Liability</b>	<b>794,565</b>	<b>768,867</b>

<b><u>Police</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	327,556	310,423
Actuarial Assets	212,312	198,310
<b>Unfunded Actuarial Liability</b>	<b>115,244</b>	<b>112,113</b>
<b>Funded Ratio</b>	<b>64.82%</b>	<b>63.88%</b>

<b><u>Total</u></b>	<b><u>6/30/2008</u></b>	<b><u>6/30/2007</u></b>
Actuarial Liability	9,725,168	9,168,369
Actuarial Assets (1)	8,110,929	7,650,369
<b>Unfunded Actuarial Liability</b>	<b>1,614,239</b>	<b>1,518,000</b>
Less University Contributions	157,100	153,400
<b>Total Unfunded Liability</b>	<b>1,457,139</b>	<b>1,364,600</b>

(1) The December 2005 Special Session appropriated \$25.0 million to PERS and \$100.0 million to TRS. An additional \$50 million was made to TRS in the first half of 2007.

**Cash Flow**  
(In Thousands \$)

<u>PERS</u>	<u>2008</u>	<u>2007</u>
Employees	72,874	69,150
Employers	72,270	67,196
State	378	446
<b>Contributions</b>	<b>145,522</b>	<b>136,792</b>
<b>Benefits/A dministration</b>	<b>(197,756)</b>	<b>(183,845)</b>
<b>Cash Flow</b>	<b>(52,234)</b>	<b>(47,053)</b>

<u>Sheriffs</u>	<u>2008</u>	<u>2007</u>
Employees	4,815	4,921
Employers	4,834	4,386
<b>Contributions</b>	<b>9,649</b>	<b>9,307</b>
<b>Benefits/A dministration</b>	<b>(8,056)</b>	<b>(7,862)</b>
<b>Cash Flow</b>	<b>1,593</b>	<b>1,445</b>

<u>Firefighters</u>	<u>2008</u>	<u>2007</u>
Employees	3,152	2,619
Employers	4,467	3,520
State	9,568	7,957
<b>Contributions</b>	<b>17,187</b>	<b>14,096</b>
<b>Benefits/A dministration</b>	<b>(13,526)</b>	<b>(12,148)</b>
<b>Cash Flow</b>	<b>3,661</b>	<b>1,948</b>

<u>Highway Patrol</u>	<u>2008</u>	<u>2007</u>
Employees	1,082	1,005
Employers	3,949	3,634
State	290	285
<b>Contributions</b>	<b>5,321</b>	<b>4,924</b>
<b>Benefits/A dministration</b>	<b>(6,917)</b>	<b>(6,766)</b>
<b>Cash Flow</b>	<b>(1,596)</b>	<b>(1,842)</b>

<u>Game Wardens</u>	<u>2008</u>	<u>2007</u>
Employees	3,613	3,199
Employers	2,979	2,638
<b>Contributions</b>	<b>6,592</b>	<b>5,837</b>
<b>Benefits/A dministration</b>	<b>(2,995)</b>	<b>(2,834)</b>
<b>Cash Flow</b>	<b>3,597</b>	<b>3,003</b>

<u>Volunteer Firefighters</u>	<u>2008</u>	<u>2007</u>
State	1,562	1,661
<b>Contributions</b>	<b>1,562</b>	<b>1,661</b>
<b>Benefits/A dministration</b>	<b>(1,777)</b>	<b>(1,670)</b>
<b>Cash Flow</b>	<b>(215)</b>	<b>(9)</b>

<u>Jud ges</u>	<u>2008</u>	<u>2007</u>
Employees	385	339
Employers	1,315	1,249
<b>Contributions</b>	<b>1,700</b>	<b>1,588</b>
<b>Benefits/A dministration</b>	<b>(1,837)</b>	<b>(1,781)</b>
<b>Cash Flow</b>	<b>(137)</b>	<b>(193)</b>

<u>Teachers</u>	<u>2008</u>	<u>2007</u>
Employees	59,553	56,509
Employers	67,922	61,944
State (1)	13,492	50,720
<b>Total Contributions</b>	<b>140,967</b>	<b>169,173</b>
<b>Benefits/A dministration</b>	<b>(203,553)</b>	<b>(190,357)</b>
<b>Cash Flow</b>	<b>(62,586)</b>	<b>(21,184)</b>

<u>Police</u>	<u>2008</u>	<u>2007</u>
Employees	2,974	2,709
Employers	5,156	4,283
State	9,452	8,677
<b>Contributions</b>	<b>17,582</b>	<b>15,669</b>
<b>Benefits/A dministration</b>	<b>(18,078)</b>	<b>(13,489)</b>
<b>Cash Flow</b>	<b>(496)</b>	<b>2,180</b>

<u>Total</u>	<u>2008</u>	<u>2007</u>
Members	148,448	140,451
Employers	162,892	148,850
State/Other	34,742	69,746
<b>Contributions</b>	<b>346,082</b>	<b>359,047</b>
<b>Benefits/A dministration</b>	<b>(454,495)</b>	<b>(420,752)</b>
<b>Cash Flow</b>	<b>(108,413)</b>	<b>(61,705)</b>

(1) \$50 million was appropriated to TRS in the first half of 2007.

## PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)

### PERS Annual Book Value Change At June 30

<u>Investment Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Retirement Funds Bond Pool	1,000,295,210	38.5	1,000,295,210	39.1	0	0.0
Domestic Stock Pool	705,844,642	27.2	709,169,683	27.7	(3,325,041)	(0.5)
International Stock Pool	406,553,000	15.7	406,553,000	15.9	0	0.0
Montana Private Equity Pool	<u>237,479,330</u>	<u>9.1</u>	<u>206,014,330</u>	<u>8.1</u>	<u>31,465,000</u>	<u>15.3</u>
Total Equity	1,349,876,971	52.0	1,321,737,012	51.7	28,139,959	2.1
Real Estate Pool	159,628,000	6.1	78,213,000	3.1	81,415,000	104.1
Direct Real Estate	8,739,651	0.3	8,672,480	0.3	67,170	0.8
Montana Mortgages	32,239,286	1.2	37,172,266	1.5	(4,932,980)	(13.3)
Short Term Investment Pool	46,126,070	1.8	109,909,836	4.3	(63,783,766)	(58.0)
Total	<u>2,596,905,188</u>	<u>100.0</u>	<u>2,555,999,805</u>	<u>100.0</u>	<u>40,905,383</u>	<u>1.6</u>

### PERS Annual Fair Value Change At June 30

<u>Investment Type</u>	<u>2008 \$ Fair Value</u>	<u>% of Total</u>	<u>2007 \$ Fair Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Retirement Funds Bond Pool	988,124,279	25.7	987,821,047	24.1	303,232	0.0
Domestic Stock Pool	1,494,306,280	38.9	1,735,718,440	42.4	(241,412,160)	(13.9)
International Stock Pool	730,360,282	19.0	818,362,199	20.0	(88,001,917)	(10.8)
Montana Private Equity Pool	<u>376,614,837</u>	<u>9.8</u>	<u>315,058,722</u>	<u>7.7</u>	<u>61,556,115</u>	<u>19.5</u>
Total Equity	<u>2,601,281,400</u>	<u>67.7</u>	<u>2,869,139,361</u>	<u>70.1</u>	<u>(267,857,961)</u>	<u>(9.3)</u>
Real Estate Pool	164,667,259	4.3	79,459,123	1.9	85,208,137	107.2
Direct Real Estate	8,931,057	0.2	8,816,423	0.2	114,634	1.3
Montana Mortgages	31,837,233	0.8	36,860,707	0.9	(5,023,474)	(13.6)
Short Term Investment Pool	<u>46,126,070</u>	<u>1.2</u>	<u>109,909,836</u>	<u>2.7</u>	<u>(63,783,766)</u>	<u>(58.0)</u>
Total	3,840,967,298	100.0	4,092,006,497	100.0	(251,039,199)	(6.1)

### PERS Book/Fair Values At June 30, 2008

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Retirement Funds Bond Pool	1,000,295,210	988,124,279	(12,170,931)	38.5	25.7
Domestic Stock Pool	705,844,642	1,494,306,280	788,461,638	27.2	38.9
International Stock Pool	406,553,000	730,360,282	323,807,282	15.7	19.0
Montana Private Equity Pool	237,479,330	376,614,837	139,135,508	9.1	9.8
Total Equity	1,349,876,971	2,601,281,400	1,251,404,428	52.0	67.7
Real Estate Pool	159,628,000	164,667,259	5,039,259	6.1	4.3
Direct Real Estate	8,739,651	8,931,057	191,407	0.3	0.2
Montana Mortgages	32,239,286	31,837,233	(402,054)	1.2	0.8
Short Term Investment Pool	<u>46,126,070</u>	<u>46,126,070</u>	<u>0</u>	<u>1.8</u>	<u>1.2</u>
Total	2,596,905,188	3,840,967,298	1,244,062,109	100.0	100.0

**PERS Net Income By Source**

<u>Income Type</u>	<u>2008 \$</u> <u>Income</u>	<u>% Of</u> <u>Total</u>	<u>2007 \$</u> <u>Income</u>	<u>% Of</u> <u>Total</u>	<u>\$</u> <u>Change</u>	<u>%</u> <u>Change</u>
Gain on Sale of Pool Units	5,074,960	4.4	81,406,964	44.7	(76,332,004)	(93.8)
Retirement Funds Bond Pool	57,381,647	50.0	57,829,354	31.8	(447,707)	(0.8)
Domestic Stock Pool	16,149,859	14.1	13,870,772	7.6	2,279,087	16.4
International Stock Pool	16,760,585	14.6	12,915,540	7.1	3,845,045	29.8
Short Term Investment Pool	3,205,804	2.8	6,345,315	3.5	(3,139,511)	(49.5)
Montana Private Equity Pool	7,918,244	6.9	4,811,999	2.6	3,106,245	64.6
Montana Mortgages	2,177,685	1.9	2,582,453	1.4	(404,768)	(15.7)
Real Estate Pool	5,327,216	4.6	1,533,218	0.8	3,793,998	247.5
Direct Real Estate	696,654	0.6	647,742	0.4	48,912	7.6
All Other Funds	0	<u>0.0</u>	204	0.0	(204)	(100.0)
<b>Total Gross Income</b>	<b><u>114,692,653</u></b>	<b><u>100.0</u></b>	<b><u>181,943,561</u></b>	<b><u>100.0</u></b>	<b><u>(67,250,907)</u></b>	<b><u>(37.0)</u></b>
Board Management Fees	(1,533,150)		(1,081,153)		(451,997)	41.8
Custodial Bank Fees	(451,386)		(346,353)		(105,032)	30.3
External Manager Fees	<u>(17,856,021)</u>		<u>(8,628,442)</u>		<u>(9,227,580)</u>	<u>106.9</u>
<b>Total Net Income</b>	<b><u>94,852,097</u></b>		<b><u>171,887,613</u></b>		<b><u>(77,035,516)</u></b>	<b><u>(44.8)</u></b>

**PERS 2008 Total Rates of Returns By Asset**

<u>Asset Class</u>	<u>%</u> <u>Return</u>	<u>Market</u> <u>Index</u>	<u>Index</u> <u>% Return</u>	<u>Return</u> <u>+/- Index</u>
Short Term Investment Pool	4.54	LIBOR 1 Month	4.10	0.44
Domestic Stock Pool	(12.91)	S&P 1500 Index	(12.72)	(0.19)
International Stock Pool	(9.28)	MTIP Custom Benchmark	(7.08)	(2.20)
Private Equity Pool	9.60	S&P 1500 Index + 4%	(8.72)	18.32
Retirement Funds Bond Pool	5.88	Lehman Brothers Aggregate	7.13	(1.25)
Real Estate Pool	4.41	NCREIF	9.23	(4.82)
Montana Mortgages	5.66	NA	NA	NA
Direct Real Estate	<u>8.44</u>	NA	<u>NA</u>	<u>NA</u>
<b>Total Net of Fees</b>	<b><u>(4.86)</u></b>	<b>Composite (1)</b>	<b><u>(5.61)</u></b>	<b><u>0.75</u></b>
<b>Total Gross of Fees</b>	<b><u>(4.65)</u></b>	<b>Peer Universe (2)</b>	<b><u>(4.42)</u></b>	<b><u>(0.23)</u></b>

(1) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value

(2) The Mellon Universe Comprised of Approximately 80 Peers

**PERS Historical Rates of Returns Versus Benchmark**

<u>Year</u>	<u>%</u> <u>Return</u>	<u>Benchmark (1)</u>	<u>Benchmark</u> <u>% Return</u>	<u>Return +/-</u> <u>Benchmark</u>
2008	(4.86)	PERS Composite	(5.61)	0.75
3 Year Annualized Average	6.97	PERS Composite	6.58	0.39
5 Year Annualized Average	8.47	PERS Composite	8.19	0.28
10 Year Annualized Average	5.47	PERS Composite	5.38	0.09

(1) An Index Composite Paralleling the Fund's Asset Allocation At Fair Value

PERS invested balances and income history are shown on Page A-16 in Appendix A

## TEACHERS' RETIREMENT SYSTEM FUND (TRS)

<b>TRS Annual Book Value Change At June 30</b>						
<b>Investment Type</b>	<b>2008 \$ Book Value</b>	<b>% of Total</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% of Change</b>
Retirement Funds Bond Pool	768,059,943	38.5	774,052,977	39.2	(5,993,033)	(0.8)
Domestic Stock Pool	541,012,407	27.1	550,689,795	27.9	(9,677,388)	(1.8)
International Stock Pool	311,631,000	15.6	311,631,000	15.8	0	0.0
Montana Private Equity Pool	180,582,970	9.1	157,207,970	8.0	23,375,000	14.9
<b>Total Equity</b>	<b>1,033,226,377</b>	<b>51.8</b>	<b>1,019,528,766</b>	<b>51.6</b>	<b>13,697,612</b>	<b>1.3</b>
Real Estate Pool	122,873,000	6.2	60,321,000	3.1	62,552,000	103.7
Direct Real Estate	8,224,902	0.4	8,157,911	0.4	66,990	0.8
Montana Mortgages	27,463,096	1.4	31,665,264	1.6	(4,202,168)	(13.3)
Short Term Investment Pool	32,943,654	1.7	83,102,502	4.2	(50,158,848)	(60.4)
<b>Total</b>	<b>1,992,790,973</b>	<b>100.0</b>	<b>1,976,828,420</b>	<b>100.0</b>	<b>15,962,553</b>	<b>0.8</b>

<b>TRS Annual Fair Value Change At June 30</b>						
<b>Investment Type</b>	<b>2008 \$ Fair Value</b>	<b>% of Total</b>	<b>2007 \$ Fair Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% of Change</b>
Retirement Funds Bond Pool	760,319,057	25.7	766,016,545	24.1	(5,697,488)	(0.7)
Domestic Stock Pool	1,157,377,216	39.1	1,361,988,214	42.8	(204,610,998)	(15.0)
International Stock Pool	561,647,715	19.0	629,321,268	19.8	(67,673,553)	(10.8)
Montana Private Equity Pool	287,420,353	9.7	241,011,163	7.6	46,409,189	19.3
<b>Total Equity</b>	<b>2,006,445,283</b>	<b>67.7</b>	<b>2,232,320,645</b>	<b>70.1</b>	<b>(225,875,362)</b>	<b>(10.1)</b>
Real Estate Pool	126,780,622	4.3	61,281,197	1.9	65,499,425	106.9
Direct Real Estate	8,351,432	0.3	8,236,798	0.3	114,634	1.4
Montana Mortgages	27,120,606	0.9	31,399,861	1.0	(4,279,256)	(13.6)
Short Term Investment Pool	32,943,654	1.1	83,102,502	2.6	(50,158,848)	(60.4)
<b>Total</b>	<b>2,961,960,654</b>	<b>100.0</b>	<b>3,182,357,548</b>	<b>100.0</b>	<b>(220,396,894)</b>	<b>(6.9)</b>

<b>TRS Book/Fair Values At June 30, 2008</b>					
<b>Investment Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Retirement Funds Bond Pool	768,059,943	760,319,057	(7,740,887)	38.5	25.7
Domestic Stock Pool	541,012,407	1,157,377,216	616,364,809	27.1	39.1
International Stock Pool	311,631,000	561,647,715	250,016,715	15.6	19.0
Montana Private Equity Pool	180,582,970	287,420,353	106,837,382	9.1	9.7
<b>Total Equity</b>	<b>1,033,226,377</b>	<b>2,006,445,283</b>	<b>973,218,906</b>	<b>51.8</b>	<b>67.7</b>
Real Estate Pool	122,873,000	126,780,622	3,907,622	6.2	4.3
Direct Real Estate	8,224,902	8,351,432	126,530	0.4	0.3
Montana Mortgages	27,463,096	27,120,606	(342,490)	1.4	0.9
Short Term Investment Pool	32,943,654	32,943,654	0	1.7	1.1
<b>Total</b>	<b>1,992,790,973</b>	<b>2,961,960,654</b>	<b>969,169,681</b>	<b>100.0</b>	<b>100.0</b>

<b>TRS Net Income By Source</b>						
<b>Income Type</b>	<b>2008 \$ Income</b>	<b>% Of Total</b>	<b>2007 \$ Income</b>	<b>% Of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Gain on Sale of Pool Units	13,629,581	13.9	60,387,854	43.8	(46,758,273)	(77.4)
Retirement Funds Bond Pool	44,379,383	45.1	44,556,027	32.3	(176,644)	(0.4)
Domestic Stock Pool	12,593,062	12.8	10,726,142	7.8	1,866,920	17.4
International Stock Pool	12,888,905	13.1	9,932,062	7.2	2,956,843	29.8
Short Term Investment Pool	2,181,149	2.2	4,702,916	3.4	(2,521,768)	(53.6)
Montana Private Equity Pool	6,066,217	6.2	3,668,413	2.7	2,397,804	65.4
Montana Mortgages	1,855,065	1.9	2,199,867	1.6	(344,802)	(15.7)
Real Estate Pool	4,112,816	4.2	1,182,933	0.9	2,929,883	247.7
Direct Real Estate	654,538	0.7	601,837	0.4	52,701	8.8
All Other Funds	<u>0</u>	<u>0.0</u>	<u>173</u>	<u>0.0</u>	<u>(173)</u>	<u>(100.0)</u>
<b>Total Gross Income</b>	<b><u>98,360,715</u></b>	<b><u>100.0</u></b>	<b><u>137,958,226</u></b>	<b><u>100.0</u></b>	<b><u>(39,597,510)</u></b>	<b><u>(28.7)</u></b>
Board Management Fees	(1,191,370)		(839,097)		(352,273)	42.0
Custodial Bank Fees	(348,007)		(266,022)		(81,985)	30.8
External Manager Fees	<u>(13,774,120)</u>		<u>(6,623,485)</u>		<u>(7,150,635)</u>	<u>108.0</u>
<b>Total Net Income</b>	<b><u>83,047,218</u></b>		<b><u>130,229,621</u></b>		<b><u>(47,182,403)</u></b>	<b><u>(36.2)</u></b>

<b>TRS 2008 Total Rates of Return by Asset</b>				
<b>Asset Class</b>	<b>% Return</b>	<b>Market Index</b>	<b>Index % Return</b>	<b>Return +/- Index</b>
Short Term Investment Pool	4.97	LIBOR 1 Month	4.10	0.87
Domestic Stock Pool	(12.91)	S&P 1500 Index	(12.72)	(0.19)
International Stock Pool	(9.28)	MTIP Custom Benchmark	(7.08)	(2.20)
Private Equity Pool	9.60	S&P 1500 Index + 4%	(8.72)	18.32
Retirement Funds Bond Pool	5.89	Lehman Brothers Aggregate	7.13	(1.24)
Real Estate Pool	4.41	NCREIF	9.23	(4.82)
Montana Mortgages	5.65	NA	NA	NA
Direct Real Estate	<u>8.55</u>	NA	<u>NA</u>	<u>NA</u>
<b>Total Net of Fees</b>	<b><u>(4.89)</u></b>	<b>Composite (1)</b>	<b><u>(5.63)</u></b>	<b><u>0.74</u></b>
<b>Total Gross of Fees</b>	<b><u>(4.68)</u></b>	<b>Peer Universe (2)</b>	<b><u>(4.42)</u></b>	<b><u>(0.26)</u></b>
(1) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value				
(2) The Mellon Universe Comprised of Approximately 80 Peers				

<b>TRS Historical Rates of Returns Versus Benchmark</b>				
<b>Year</b>	<b>% Return</b>	<b>Benchmark (1)</b>	<b>Benchmark % Return</b>	<b>Return Benchmark</b>
2008	(4.89)	TRS Composite	(5.63)	0.74
3 Year Annualized Average	6.95	TRS Composite	6.56	0.39
5 Year Annualized Average	8.48	TRS Composite	8.21	0.27
10 Year Annualized Average	5.48	TRS Composite	5.35	0.13
(1) An Index Composite Paralleling the Fund's Asset Allocation At Fair Value				

TRS invested balances and income history are shown on Page A-17 in Appendix A.



## OTHER RETIREMENT SYSTEMS

### Assets of Individual Pensions at June 30

<u>Systems</u>	<u>2008 \$ Fair Value</u>	<u>2007 \$ Fair Value</u>	<u>2008 \$ Book Value</u>	<u>2007 \$ Book Value</u>	<u>Fair % Change</u>	<u>Book % Change</u>
Police	190,589,682	202,111,670	137,299,263	133,138,238	(5.7)	3.1
Sheriffs	188,161,316	196,216,438	133,769,605	127,876,186	(4.1)	4.6
Firefighters	184,737,400	192,509,793	134,409,185	127,771,817	(4.0)	5.2
Highway Patrol	95,999,795	102,618,067	65,651,211	64,981,471	(6.4)	1.0
Game Wardens	73,124,533	73,194,406	55,128,207	49,832,066	(0.1)	10.6
Judges	58,658,494	61,806,036	40,433,951	39,231,024	(5.1)	3.1
Vol. Firefighters	<u>25,992,748</u>	<u>27,491,637</u>	<u>20,274,641</u>	<u>19,669,979</u>	<u>(5.5)</u>	<u>3.1</u>
<b>Total</b>	<b>817,263,968</b>	<b>855,948,048</b>	<b>586,966,063</b>	<b>562,500,780</b>	<b>(4.5)</b>	<b>4.3</b>

### Other Pensions Annual Change At June 30

<u>Investment Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Retirement Funds Bond Pool	221,599,953	37.8	219,765,162	39.1	1,834,791	0.8
Domestic Stock Pool	179,711,500	30.6	175,454,015	31.2	4,257,485	2.4
International Stock Pool	89,623,576	15.3	84,505,342	15.0	5,118,235	6.1
Montana Private Equity Pool	<u>50,853,021</u>	<u>8.7</u>	<u>42,573,021</u>	<u>7.6</u>	<u>8,280,000</u>	<u>19.4</u>
<b>Total Equity</b>	<b><u>320,188,097</u></b>	<b><u>54.5</u></b>	<b><u>302,532,377</u></b>	<b><u>53.8</u></b>	<b><u>17,655,720</u></b>	<b>5.8</b>
Real Estate Pool	34,034,000	5.8	16,501,000	2.9	17,533,000	106.3
Short Term Investment Pool	<u>11,144,014</u>	<u>1.9</u>	<u>23,702,241</u>	<u>4.2</u>	<u>(12,558,227)</u>	<u>(53.0)</u>
<b>Total</b>	<b><u>586,966,063</u></b>	<b><u>100.0</u></b>	<b><u>562,500,780</u></b>	<b><u>100.0</u></b>	<b><u>24,465,283</u></b>	<b><u>4.3</u></b>

### Other Pensions Book/Fair Values At June 30, 2008

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Retirement Funds Bond Pool	221,599,953	217,766,193	(3,833,759)	37.8	26.6
Domestic Stock Pool	179,711,500	318,941,527	139,230,027	30.6	39.0
International Stock Pool	89,623,576	154,293,185	64,669,609	15.3	18.9
Montana Private Equity Pool	<u>50,853,021</u>	<u>80,026,048</u>	<u>29,173,027</u>	<u>8.7</u>	<u>9.8</u>
<b>Total Equity</b>	<b><u>320,188,097</u></b>	<b><u>553,260,759</u></b>	<b><u>233,072,663</u></b>	<b><u>54.5</u></b>	<b><u>67.7</u></b>
Real Estate Pool	34,034,000	35,093,002	1,059,002	5.8	4.3
Short Term Investment Pool	<u>11,144,014</u>	<u>11,144,014</u>	<u>0</u>	<u>1.9</u>	<u>1.4</u>
<b>Total</b>	<b>586,966,063</b>	<b>817,263,968</b>	<b>230,297,905</b>	<b>100.0</b>	<b>100.0</b>

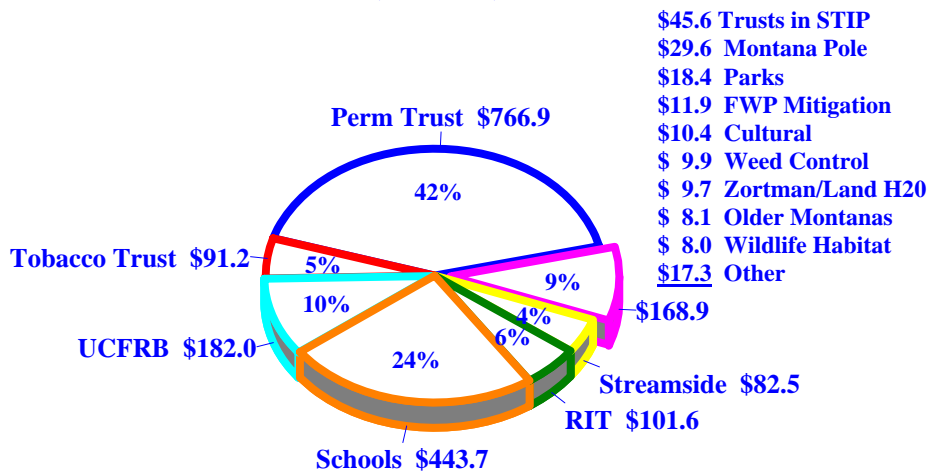
<b>Other Retirement Systems 2008 Total Rates of Return</b>				
<b>Fund</b>	<b>% Return</b>	<b>Index (1)</b>	<b>% Return</b>	<b>Fund +/- Index</b>
Sheriffs	(4.84)	Composite	(5.56)	0.72
Police	(5.01)	Composite	(5.75)	0.74
Firefighters	(4.91)	Composite	(5.66)	0.75
Highway Patrol	(4.86)	Composite	(5.58)	0.72
Judges	(4.85)	Composite	(5.58)	0.73
Game Warden	(4.80)	Composite	(5.51)	0.71
Vol. Firefighters	(4.90)	Composite	(5.59)	0.69
(1) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value				

The seven other retirement funds are administered by the Public Employees' Retirement Board, the same Board that administers the Public Employees' Retirement System. These smaller systems participate with the Public Employees' Retirement Fund and the Teachers' Retirement Fund in all investment pools managed by the Board, but do not participate in the Montana Residential Mortgage Program or direct real estate investments.

## Trust Funds By Source

\$1.84 Billion Fair Value At June 30, 2008

(In Millions)



## TRUST FUNDS

The Board invests several trust funds, some of which are created and protected by the state constitution.

Other trusts have been created statutorily by the legislature or involve federal funds.

Several trust funds were established as a part of settlements between the state and private corporations to ensure environmental clean up of polluted sites.

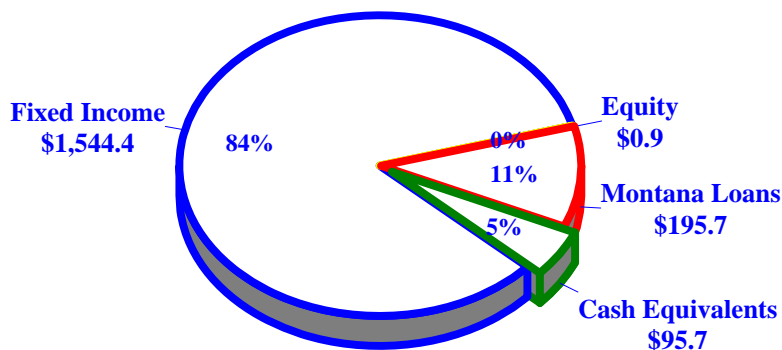
The upper graph shows the various trust funds by type. The lower graph shows the trust fund investments by major asset class.

The table on the next page shows the change in the book value from 2007 to 2008 by individual trust fund.

## Trust Funds By Investment

\$1.84 Billion Fair Value At June 30, 2008

(In Millions)



<b>Total Trust Funds Annual Change At June 30</b>						
<b>Trust</b>	<b>2008 \$ Book Value</b>	<b>% of Total</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Permanent Coal Tax Trust (1)	770,378,663	41.9	742,559,729	41.4	27,818,934	3.7
Schools (Trust and Legacy)	440,153,456	24.0	428,153,530	23.9	11,999,926	2.8
UCFRB Restoration	163,980,662	8.9	160,387,835	8.9	3,592,827	2.2
Resource Indemnity Trust	100,023,109	5.4	100,023,109	5.6	0	0.0
Tobacco Trust	93,294,404	5.1	79,001,066	4.4	14,293,338	18.1
Streamside Tailings	82,725,419	4.5	83,646,994	4.7	(921,575)	(1.1)
Trusts in STIP	45,506,599	2.5	34,645,601	1.9	10,860,999	31.3
Montana Pole	29,935,004	1.6	29,203,022	1.6	731,982	2.5
Parks Trust	18,568,455	1.0	17,949,537	1.0	618,918	3.4
UCFRB Reserve	18,058,209	1.0	17,069,616	1.0	988,593	5.8
FWP Mitigation	12,018,825	0.7	11,681,995	0.7	336,830	2.9
Cultural Trust	10,594,321	0.6	8,783,681	0.5	1,810,640	20.6
Weed Control	9,969,781	0.5	4,956,938	0.3	5,012,843	101.1
Zort/Land LT H2O Trust	8,432,552	0.5	2,569,255	0.1	5,863,297	228.2
Wildlife Habitat	8,262,922	0.4	7,833,506	0.4	429,416	5.5
Older Montanas	8,139,126	0.4	0	0.0	8,139,126	N/A
Abandoned Mines	5,366,196	0.3	5,914,331	0.3	(548,136)	(9.3)
FWP Real Property	5,245,411	0.3	5,049,006	0.3	196,404	3.9
Zortman/Landusky	3,981,745	0.2	7,881,731	0.4	(3,899,986)	(49.5)
Endowment for Children	1,054,623	0.1	0	0.0	1,054,623	N/A
Trusts in TFBP	694,479	0.0	694,479	0.0	0	0.0
Trusts in MDEP	186,873	0.0	186,873	0.0	0	0.0
Highway 93 Bond	0	0.0	45,021,865	2.5	(45,021,865)	(100.0)
<b>Total</b>	<b>1,836,570,835</b>	<b>100.0</b>	<b>1,793,213,702</b>	<b>100.0</b>	<b>43,357,134</b>	<b>2.4</b>
<b>Fixed-Income</b>	<b>1,544,969,871</b>	<b>84.1</b>	<b>1,430,091,199</b>	<b>79.8</b>	<b>114,878,672</b>	<b>8.0</b>
Montana Loans	195,686,203	10.7	226,767,173	12.6	(31,080,970)	(13.7)
Cash Equivalents (STIP)	95,727,888	5.2	136,168,457	7.6	(40,440,569)	(29.7)
Equity	186,873	0.0	186,873	0.0	0	0.0
<b>Total</b>	<b>1,836,570,835</b>	<b>100.0</b>	<b>1,793,213,702</b>	<b>100.0</b>	<b>43,357,133</b>	<b>2.4</b>
(1) Includes Treasure State Endowment, Treasure State Water, Big Sky Economic Development, CST Bond and permanent Income Accounts						

A complete listing of individual trust fund investment portfolios is shown beginning on Page A-6 in Appendix A. The investment income earned by each trust is shown beginning on Page A-1 in Appendix A.

## COAL TAX TRUST FUND

Article IX, Section 5 of the state Constitution requires that 50 percent of all coal severance tax revenues be deposited in a permanent trust fund (Trust), in which the principal "shall forever remain inviolate unless appropriated by a three-fourths vote of each house" of the legislature. The Board is encouraged to invest 25 percent of the Trust in Montana businesses.

The Legislature has partitioned the Trust into several sub-funds. The Permanent Fund was initially established when the Trust was created, while the Severance Tax Bond Fund, created later, provides debt service guarantees and is invested solely in STIP. The Treasure State Endowment Fund was created July 1, 1993, with a \$10.0 million transfer from the Permanent Fund. From July 1, 1993 through June 30, 1999 one-half of the coal severance tax earmarked for the Trust was deposited in the Permanent Fund and the remaining 50 percent was deposited in the Treasure State Endowment Fund.

Effective July 1, 1999, a new "Treasure State Endowment Regional Water Fund" sub-fund was created and 25 percent of Trust revenues were dedicated to that account.

Effective July 1, 2005, a new "Big Sky Economic Development Fund" sub-fund was created and 25 percent of Trust revenues were dedicated to that account.

There is currently no new revenue dedicated to the Permanent Fund.

Income from the Permanent Fund and the two Bond Funds is deposited in the Permanent Fund Income Fund where it is swept periodically to the state general fund. All sub-funds, except the income fund, are protected by the Constitution and may be appropriated only by a three-fourths vote of each house of the legislature. Income from the Treasure State Endowment is appropriated by the legislature for local government infrastructure projects. Treasure State Endowment Regional Water Fund income is appropriated by the legislature for local government water projects. Big Sky Economic Development Fund income is appropriated by the legislature for economic development projects.

The book values of the Coal Tax Trust sub-funds are shown below:

<b><u>Coal Tax Trust Subfunds at June 30</u></b>						
<b><u>Subfund</u></b>	<b><u>2008 \$ Book Value</u></b>	<b><u>% of Total</u></b>	<b><u>2007 \$ Book Value</u></b>	<b><u>% of Total</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
Permanent Fund	531,627,955	69.0	524,649,927	70.7	6,978,028	1.3
Treasure State Endowment	158,795,858	20.6	147,494,985	19.9	11,300,873	7.7
Treasure State Regional Water	38,565,681	5.0	32,914,200	4.4	5,651,481	17.2
Economic Development Fund	34,773,763	4.5	29,122,282	3.9	5,651,481	19.4
Severance Tax Bond Fund	4,156,005	0.5	4,536,670	0.6	(380,665)	(8.4)
Permanent Fund Income	2,459,402	0.3	3,841,665	0.5	(1,382,263)	(36.0)
<b>Total Coal Tax Trust</b>	<b><u>770,378,663</u></b>	<b><u>100.0</u></b>	<b><u>742,559,729</u></b>	<b><u>100.0</u></b>	<b><u>27,818,934</u></b>	<b><u>3.7</u></b>

The tables on the next page show:

- The changes in book value of portfolio securities,
- The difference between book and fair value of the securities portfolio, and
- The securities portfolio total rate of return.

**Permanent Coal Tax Trust Change At June 30 (1)**

<u>Investment Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Fixed Income (TFBP)	557,763,531	72.4	488,224,541	65.7	69,538,990	14.2
Commercial Loans	138,786,183	18.0	156,848,901	21.1	(18,062,719)	(11.5)
Local Gov. Infrastructure	19,951,844	2.6	18,859,692	2.5	1,092,153	5.8
Value-added Loans	14,305,523	1.9	17,760,734	2.4	(3,455,211)	(19.5)
Science and Technology	12,939,836	1.7	13,089,151	1.8	(149,315)	(1.1)
Montana Facility Finance	4,878,661	0.6	4,615,196	0.6	263,465	5.7
Department of Justice	2,547,000	0.3	2,317,000	0.3	230,000	9.9
Intermediary Loan Program	2,277,156	0.3	1,702,895	0.2	574,262	33.7
Department of Natural Resources	0	0.0	11,573,605	1.6	(11,573,605)	(100.0)
<b>Total In-State Investments</b>	<b>195,686,203</b>	<b>25.4</b>	<b>226,767,173</b>	<b>30.5</b>	<b>(31,080,970)</b>	<b>(13.7)</b>
STIP Permanent Fund	9,161,840	1.2	17,707,116	2.4	(8,545,276)	(48.3)
STIP Sev. Tax Bond Fund	4,156,005	0.5	4,536,670	0.6	(380,665)	(8.4)
STIP Permanent Trust Income	2,459,402	0.3	3,841,665	0.5	(1,382,263)	(36.0)
STIP Tr. St. Endow Trust	528,208	0.1	892,413	0.1	(364,206)	(40.8)
STIP Tr. St. Regional Water	318,802	0.0	317,196	0.0	1,607	0.5
STIP Economic Development Fund	304,672	0.0	272,955	0.0	31,718	11.6
Cash Equivalents (STIP)	16,928,929	2.2	27,568,015	3.7	(10,639,086)	(38.6)
<b>Total</b>	<b>770,378,663</b>	<b>100.0</b>	<b>742,559,729</b>	<b>100.0</b>	<b>27,818,934</b>	<b>3.7</b>

(1) Includes Treasure State Endowment, Treasure State Water, Big Sky Economic Development, CST Bond and Permanent Income Account

**Permanent Coal Tax Trust Book/Fair Values At June 30, 2008**

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Fixed Income (TFBP)	557,763,531	554,265,073	(3,498,458)	72.4	72.3
In-State Investments	195,686,203	195,686,203	0	25.4	25.5
Cash Equivalents (STIP)	16,928,929	16,928,929	0	2.2	2.2
<b>Total</b>	<b>770,378,663</b>	<b>766,880,205</b>	<b>(3,498,458)</b>	<b>100.0</b>	<b>100.0</b>

**Permanent Coal Tax Trust 2008 Total Rates of Return**

<u>Asset Type</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
Cash Equivalents (STIP)	4.25	3 Month Treasury	3.33	0.92
Fixed Income (TFBP)	6.40	Lehman Brothers Aggregate	7.13	(0.73)
Montana Loans (1)	5.20	In-State Loans	NA	NA
<b>All Assets</b>	<b>5.67</b>			

(1) In-State Investment Loans, Science & Tech Loans, and other legislatively authorized loans

The Coal Tax Trust earned \$42.0 million in investment income in 2008, compared to \$44.5 million in 2007.

The Coal Tax Trust is also used to fund the In-State Investment Program (*See Page 63*). The Coal Tax Trust invested balances and investment income history are shown on Page A-18 in Appendix A.

## TRUST AND LEGACY FUND

Article X, Sections 2 and 3 of the state Constitution requires that all royalties and other proceeds received from school lands granted to the state under federal enabling legislation be deposited in the Trust and Legacy Fund, where it shall forever remain inviolate and guaranteed by the state against loss or diversion.

<b><u>Trust &amp; Legacy Fund Annual Change At June 30</u></b>						
<b><u>Investment Type</u></b>	<b><u>2008 \$ Book Value</u></b>	<b><u>% of Total</u></b>	<b><u>2007 \$ Book Value</u></b>	<b><u>% of Total</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
Fixed Income (TFBP)	439,153,456	99.8	428,153,530	100.0	10,999,926	2.6
Cash Equivalents (STIP)	<u>1,000,000</u>	<u>0.2</u>	<u>0</u>	<u>0.0</u>	<u>1,000,000</u>	<u>N/A</u>
<b>Total</b>	<b><u>440,153,456</u></b>	<b><u>100.0</u></b>	<b><u>428,153,530</u></b>	<b><u>100.0</u></b>	<b><u>11,999,926</u></b>	<b><u>2.8</u></b>

<b><u>Trust &amp; Legacy Book/Fair Values At June 30, 2008</u></b>					
<b><u>Investment Type</u></b>	<b><u>Book \$ Value</u></b>	<b><u>Fair \$ Value</u></b>	<b><u>Fair \$ +/- Book</u></b>	<b><u>% of Book</u></b>	<b><u>% of Fair</u></b>
Fixed Income (TFBP)	439,153,456	442,669,439	3,515,983	99.8	99.8
Cash Equivalents (STIP)	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>	<u>0.2</u>	<u>0.2</u>
<b>Total</b>	<b><u>440,153,456</u></b>	<b><u>443,669,439</u></b>	<b><u>3,515,983</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

<b><u>Trust &amp; Legacy Fund 2008 Total Rates of Return</u></b>				
<b><u>Asset Type</u></b>	<b><u>% Return</u></b>	<b><u>Benchmarks</u></b>	<b><u>Benchmark % Return</u></b>	<b><u>Return +/- Benchmark</u></b>
Cash Equivalents (STIP)	4.25	3 Month Treasury	3.33	0.92
Fixed Income (TFBP)	<u>6.26</u>	Lehman Brothers Aggregate	7.13	(0.87)
<b>All Assets</b>	<b>6.26</b>			

The Trust and Legacy Fund earned \$25.3 million in investment income in 2008, compared to \$26.5 million in 2007. The Trust and Legacy Fund invested balances and investment income history are shown on Page A-19 in Appendix A.

## RESOURCE INDEMNITY TRUST FUND

Article IX, Section 2 of the state Constitution requires that revenues from the Resource Indemnity Tax on minerals be deposited in the Resource Indemnity Trust Fund, the principal of which "shall forever remain inviolate" until the principal reaches \$100 million. The fund's book value reached \$100.0 million in fiscal 2002.

<b>Resource Indemnity Trust Annual Change At June 30</b>						
<b>Investment Type</b>	<b>2008 \$ Book Value</b>	<b>% of Total</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
Fixed Income (TFBP)	99,999,976	100.0	99,999,976	100.0	0	0.0
Cash Equivalents (STIP)	<u>23,133</u>	<u>0.0</u>	<u>23,133</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>
<b>Total</b>	<b>100,023,109</b>	<b>100.0</b>	<b>100,023,109</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>

<b>Resource Indemnity Trust Book/Fair Values At June 30, 2008</b>					
<b>Investment Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Fixed Income (TFBP)	99,999,976	101,595,772	1,595,796	100.0	100.0
Cash Equivalents (STIP)	<u>23,133</u>	<u>23,133</u>	<u>0</u>	<u>0.0</u>	<u>0.0</u>
<b>Total</b>	<b><u>100,023,109</u></b>	<b><u>101,618,905</u></b>	<b><u>1,595,796</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

<b>Resource Indemnity Trust Fund 2008 Total Rates of Return</b>				
<b>Asset Type</b>	<b>% Return</b>	<b>Benchmarks</b>	<b>Benchmark % Return</b>	<b>Return +/- Benchmark</b>
Cash Equivalents (STIP)	4.25	3 Month Treasury	3.33	0.92
Fixed Income (TFBP)	<u>6.26</u>	Lehman Brothers Aggregate	7.13	(0.87)
<b>All Assets</b>	<b><u>6.26</u></b>			

The Resource Indemnity Trust Fund earned \$5.8 million in investment income in 2008, compared to \$6.2 million in 2007. The Resource Indemnity Trust Fund invested balances and investment income history are shown on Page A-20 in Appendix A.



## COAL TAX PARKS/CULTURAL TRUST FUNDS

A portion of the coal severance tax is dedicated to a statutorily created Parks Trust Fund and a Cultural Trust Fund (Trusts). Investment income generated by the Trusts is appropriated by the legislature to acquire/operate state parks and to fund cultural and aesthetics projects. The 1997 legislature appropriated \$3.9 million of Cultural Trust principal to purchase historical properties.

<b>Coal Tax Parks/Cultural Funds Annual Change At June 30</b>						
<u>Fund Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% Change</u>
Parks Trust	18,568,455	63.7	17,949,537	67.1	618,918	3.4
Cultural Trust	<u>10,594,321</u>	<u>36.3</u>	<u>8,783,681</u>	<u>32.9</u>	<u>1,810,640</u>	<u>20.6</u>
Total	<u>29,162,776</u>	<u>100.0</u>	<u>26,733,218</u>	<u>100.0</u>	<u>2,429,558</u>	<u>9.1</u>
<u>Investment Type</u>						
Fixed Income (TFBP)	28,839,936	98.9	26,160,213	97.9	2,679,723	10.2
Cash Equivalents (STIP)	<u>322,840</u>	<u>1.1</u>	<u>573,005</u>	<u>2.1</u>	<u>(250,165)</u>	<u>(43.7)</u>
Total	<u>29,162,776</u>	<u>100.0</u>	<u>26,733,218</u>	<u>100.0</u>	<u>2,429,558</u>	<u>9.1</u>

<b>Parks/Cultural Trusts Book/Fair Values At June 30, 2008</b>					
<u>Fund Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Book</u>	<u>% of Fair</u>
Parks Trust	18,568,455	18,398,462	(169,993)	63.7	63.8
Cultural Trust	<u>10,594,321</u>	<u>10,435,542</u>	<u>(158,779)</u>	<u>36.3</u>	<u>36.2</u>
Total	29,162,776	28,834,003	(328,772)	100.0	100.0
<u>Investment Type</u>					
Fixed Income (TFBP)	28,839,936	28,511,163	(328,772)	98.9	98.9
Cash Equivalents (STIP)	<u>322,840</u>	<u>322,840</u>	<u>0</u>	<u>1.1</u>	<u>1.1</u>
Total	<u>29,162,776</u>	<u>28,834,003</u>	<u>(328,772)</u>	<u>100.0</u>	<u>100.0</u>

<b>Parks/Cultural Trust Funds 2008 Total Rates of Return</b>				
<u>Asset Type</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
Parks Trust:				
Cash Equivalents (STIP)	4.25	3 Month Treasury	3.33	0.92
Fixed Income (TFBP)	<u>6.26</u>	Lehman Brothers Aggregate	7.13	(0.87)
Parks Trust All Assets	<u>6.21</u>			
Cultural Trust:				
Cash Equivalents (STIP)	4.24	LIBOR 1 Month	3.33	0.91
Fixed Income (TFBP)	<u>6.26</u>	Lehman Brothers Aggregate	7.13	(0.87)
Cultural Trust All Assets	<u>6.19</u>			

The trusts earned \$1.6 million in investment income in 2008, compared to \$1.6 million in 2007. The invested balances and investment income history of these trusts are shown on Page A-21 in Appendix A.

## OTHER TRUST FUNDS

**Fish, Wildlife, and Parks (FWP) Mitigation Trust** - expendable trust funds fish and wildlife mitigation/enhancements.

**Abandoned Mine Trust** - expendable trust funds abandoned mine reclamation.

**FWP Real Property Trust** - non-expendable trust funds operations, development, and maintenance of FWP real property.

**Weed Control Trust** - non-expendable \$2.5 million trust funds noxious weed control.

**Wildlife Habitat Trust** - funds acquisition/development/maintenance of wildlife habitat.

**Montana Post and Pole Trust** - funds environmental cleanup of the former Montana Pole and Treatment Plant in Butte.

**Guaranteed Student Loan** - the federal portion of student loan monies.

**The UCFRB Funds** represent proceeds from state settlements with the Atlantic Richfield Company for restoration of the Upper Clark Fork River Basin.

**Streamside Tailing Funds** are derived from a consent decree between the state and the Atlantic Richfield Company for remedial treatment of the Silver Bow Creek/Butte area.

**Tobacco Trust** – the nation’s largest tobacco companies are required to pay at least \$205.0 billion over the next 25 years to the states. Forty percent of Montana’s share is deposited in a trust fund.

**Zortman/Landusky Funds** were paid by the Pegasus mining company and its insurer to provide long-term water treatment at the closed Zortman and Landusky mines near Malta.

**Highway 93 Bond** – represents proceeds from a 2005 \$129.4 million bond issue to fund Highway 93 improvements.

**Zortman/Landusky LT H2O Trust** – this fund has the same purpose as the existing Zortman/Landusky account; however, the source of funds is different. The legislature requires a deposit of \$1.2 million a year into this account until there are sufficient funds to generate \$19.3 million by January 1, 2018.

**Endowment for Children Fund** – funds used to support programs and services related to child abuse and neglect, primary prevention activities and family resource programs.

**Older Montanans Trust Fund** - funds used to create new, innovative services or expand existing services for Montana residents 60 years of age or older.

**Other Trusts Annual Change At June 30**

<b>Fund</b>	<b>2008 \$ Book Value</b>	<b>% of Total</b>	<b>2007 \$ Book Value</b>	<b>% of Total</b>	<b>\$ Change</b>	<b>% Change</b>
UCFRB Restoration	163,980,662	36.4	160,387,835	34.9	3,592,827	2.2
Tobacco Trust	93,294,404	20.7	79,001,066	17.2	14,293,338	18.1
Streamside Tailings	82,725,419	18.4	83,646,994	18.2	(921,575)	(1.1)
Montana Pole	29,935,004	6.6	29,203,022	6.3	731,982	2.5
UCFRB Reserve	18,058,209	4.0	17,069,616	3.7	988,593	5.8
FWP Mitigation	12,018,825	2.7	11,681,995	2.5	336,830	2.9
Weed Control	9,969,781	2.2	4,956,938	1.1	5,012,843	101.1
Zort/Land LT H2O Trust	8,432,552	1.9	2,569,255	0.6	5,863,297	228.2
Wildlife Habitat	8,262,922	1.8	7,833,506	1.7	429,416	5.5
Older Montanas	8,139,126	1.8	0	0.0	8,139,126	N/A
Abandoned Mines	5,366,196	1.2	5,914,331	1.3	(548,136)	(9.3)
FWP Real Property	5,245,411	1.2	5,049,006	1.1	196,404	3.9
Zortman/Landusky	3,981,745	0.9	7,881,731	1.7	(3,899,986)	(49.5)
Endowment for Children	1,054,623	0.2	0	0.0	1,054,623	N/A
Highway 93 Bond	0	0.0	45,021,865	9.8	(45,021,865)	(100.0)
<b>Total</b>	<b><u>450,464,880</u></b>	<b><u>100.0</u></b>	<b><u>460,217,163</u></b>	<b><u>100.0</u></b>	<b><u>(9,752,283)</u></b>	<b><u>(2.1)</u></b>
<b>Investment Type</b>						
Trust Funds Bond Pool	372,974,374	82.8	326,025,710	70.8	46,948,664	14.4
Corporate Asset-Backed Bonds	0	0.0	8,773,046	1.9	(8,773,046)	(100.0)
Corporate Bonds (Rated)	17,919,338	4.0	12,137,659	2.6	5,781,679	47.6
US Govt Direct Obligations	1,580,440	0.4	2,006,844	0.4	(426,404)	(21.2)
US Government Agency	26,044,341	5.8	37,915,201	8.2	(11,870,860)	(31.3)
<b>Total Fixed Income</b>	<b><u>418,518,493</u></b>	<b><u>92.9</u></b>	<b><u>386,858,460</u></b>	<b><u>84.1</u></b>	<b><u>31,660,033</u></b>	<b><u>8.2</u></b>
Cash Equivalents (STIP)	31,946,387	7.1	73,358,704	15.9	(41,412,317)	(56.5)
<b>Total</b>	<b><u>450,464,880</u></b>	<b><u>100.0</u></b>	<b><u>460,217,163</u></b>	<b><u>100.0</u></b>	<b><u>(9,752,284)</u></b>	<b><u>(2.1)</u></b>

<b>Other Trusts Book/Fair Values At June 30, 2008</b>					
<b><u>Fund</u></b>	<b><u>Book \$</u></b>	<b><u>Fair \$</u></b>	<b><u>Fair \$</u></b>	<b><u>% of</u></b>	<b><u>% of</u></b>
	<b><u>Value</u></b>	<b><u>Value</u></b>	<b><u>+/- Book</u></b>	<b><u>Book</u></b>	<b><u>Fair</u></b>
UCFRB Restoration	163,980,662	164,040,695	60,033	36.4	36.6
Tobacco Trust	93,294,404	91,151,209	(2,143,195)	20.7	20.3
Streamside Tailings	82,725,419	82,472,252	(253,166)	18.4	18.4
Montana Pole	29,935,004	29,637,486	(297,519)	6.6	6.6
UCFRB Reserve	18,058,209	17,945,954	(112,255)	4.0	4.0
FWP Mitigation	12,018,825	11,930,658	(88,167)	2.7	2.7
Weed Control	9,969,781	9,939,544	(30,237)	2.2	2.2
Zort/Land LT H2O Trust	8,432,552	9,715,148	1,282,596	1.9	2.2
Older Montanas	8,139,126	8,060,684	(78,442)	1.8	1.8
Wildlife Habitat	8,262,922	8,002,712	(260,210)	1.8	1.8
Abandoned Mines	5,366,196	5,333,830	(32,366)	1.2	1.2
FWP Real Property	5,245,411	5,069,487	(175,923)	1.2	1.1
Zortman/Landusky	3,981,745	4,252,269	270,524	0.9	0.9
Endowment for Children	<u>1,054,623</u>	<u>1,046,425</u>	<u>(8,198)</u>	<u>0.2</u>	<u>0.2</u>
<b>Total</b>	<b><u>450,464,880</u></b>	<b><u>448,598,354</u></b>	<b><u>(1,866,526)</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b><u>Investment Type</u></b>					
Trust Funds Bond Pool	372,974,374	369,355,009	(3,619,365)	82.8	82.3
Corporate Bonds (Rated)	17,919,338	17,691,701	(227,637)	4.0	3.9
US Govt Direct Obligations	1,580,440	1,620,141	39,702	0.4	0.4
US Government Agency	<u>26,044,341</u>	<u>27,985,116</u>	<u>1,940,775</u>	<u>5.8</u>	<u>6.2</u>
<b>Total Fixed-Income</b>	<b><u>418,518,493</u></b>	<b><u>416,651,967</u></b>	<b><u>(1,866,526)</u></b>	<b><u>92.9</u></b>	<b><u>92.9</u></b>
Cash Equivalents (STIP)	<u>31,946,387</u>	<u>31,946,387</u>	<u>0</u>	<u>7.1</u>	<u>7.1</u>
<b>Total</b>	<b><u>450,464,880</u></b>	<b><u>448,598,354</u></b>	<b><u>(1,866,526)</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

The other trust portfolios are listed beginning on Page A-6 in Appendix A. The investment income earned by each trust is shown beginning on Page A-1 in Appendix A.

## STATE FUND INSURANCE

The State Compensation Insurance Fund (State Fund) provides workers' compensation and occupational disease insurance for claims arising from injuries occurring on or after July 1, 1990. Effective on that date, the state's workers' compensation fund was divided into two funds with separate liabilities. The "old" fund retained all financial obligations for claims for injuries occurring prior to July 1, 1990, while the "new" fund assumed claim obligations for injuries occurring after that date.

### State Fund Insurance Annual Change At June 30

<u>Investment Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Corporate Bonds (Unrated)	10,000,000	1.0	0	0.0	10,000,000	N/A
Corporate Bonds (Rated)	474,223,084	49.6	361,308,038	42.3	112,915,046	31.3
Corporate Asset-Backed Bonds	0	0.0	52,415,861	6.1	(52,415,861)	(100.0)
US Govt Direct Obligations	52,966,201	5.5	16,058,517	1.9	36,907,684	229.8
US Government Agency	333,382,539	34.9	346,347,064	40.5	(12,964,525)	(3.7)
<b>Total Fixed Income</b>	<b>870,571,824</b>	<b>91.0</b>	<b>776,129,480</b>	<b>90.8</b>	<b>94,442,344</b>	<b>12.2</b>
BGI S&P 500 Equity Index	68,406,677	7.2	68,406,676	8.0	0	0.0
Cash Equivalents (STIP)	17,566,677	1.8	10,305,619	1.2	7,261,058	70.5
<b>Total</b>	<b>956,545,179</b>	<b>100.0</b>	<b>854,841,776</b>	<b>100.0</b>	<b>101,703,403</b>	<b>11.9</b>

### State Fund Insurance Book/Fair Values At June 30, 2008

<u>Investment Type</u>	<u>Book \$ Value</u>	<u>Fair \$ Value</u>	<u>Fair \$ +/- Book</u>	<u>% of Fixed</u>	<u>% of Fair</u>
Corporate Bonds (Unrated)	10,000,000	9,964,900	(35,100)	1.2	1.0
Corporate Bonds (Rated)	474,223,084	459,481,260	(14,741,824)	53.2	47.4
US Govt Direct Obligations	52,966,201	52,389,897	(576,305)	6.1	5.4
US Government Agency	333,382,539	341,684,566	8,302,027	39.6	35.3
<b>Total Fixed Income</b>	<b>870,571,824</b>	<b>863,520,622</b>	<b>(7,051,202)</b>	<b>100.0</b>	<b>89.2</b>
BGI S&P 500 Equity Index	68,406,677	87,443,325	19,036,648		9.0
Cash Equivalents (STIP)	17,566,677	17,566,677	0		1.8
<b>Total</b>	<b>956,545,179</b>	<b>968,530,625</b>	<b>11,985,446</b>		<b>100.0</b>

### State Fund Insurance 2008 Total Rates of Return

<u>Asset Type</u>	<u>% Return</u>	<u>Benchmarks</u>	<u>Benchmark % Return</u>	<u>Return +/- Benchmark</u>
Cash Equivalents (STIP)	9.16	3 Month Treasury	3.33	5.83
Equities	(13.03)	S & P 500 Index	(13.12)	0.09
Fixed Income	5.82	LB Gov/Credit Intermediate	7.37	(1.55)
<b>All Assets</b>	<b>3.83</b>	<b>Composite (1)</b>	<b>5.04</b>	<b>(1.21)</b>

(1) An Index Composite paralleling the Fund's asset allocation at fair value

The State Fund earned \$44.3 million in investment income in 2008, compared to \$37.3 million in 2007. The State Fund portfolio is listed beginning on Page A-7 of Appendix A.

## OTHER INSURANCE FUNDS

**Old Workers - Compensation Fund** - pays claims for all injury claims occurring prior to July 1, 1990.  
**Group Insurance** - created in 1981, provides health and life insurance to non-university state employees.

**Subsequent Injury** - provides benefits to workers who are vocationally handicapped and whose Workers' Compensation benefits have expired.

**Hail Insurance** - insures crops from hail damage. The entire account is currently held in STIP.

Other insurance programs whose investments are held solely in STIP include:

University Group Benefits.....	\$36,584,521
Agency Insurance.....	20,011,351
Unemployment Insurance Benefits .....	5,965,039
Uninsured Employees .....	<u>3,569,762</u>
<b>Total .....</b>	<b>\$66,130,673</b>

<b>Other Insurance Annual Change At June 30</b>						
<u>Fund Type</u>	<u>2008 \$ Book Value</u>	<u>% of Total</u>	<u>2007 \$ Book Value</u>	<u>% of Total</u>	<u>\$ Change</u>	<u>% of Change</u>
Group Insurance	44,460,958	49.7	42,112,327	43.2	2,348,631	5.6
Old Fund	31,486,695	35.2	41,922,168	43.0	(10,435,473)	(24.9)
Hail Insurance	12,860,805	14.4	12,263,076	12.6	597,729	4.9
Subsequent Injury	<u>735,428</u>	<u>0.8</u>	<u>1,129,043</u>	<u>1.2</u>	<u>(393,615)</u>	<u>(34.9)</u>
<b>Total</b>	<b><u>89,543,886</u></b>	<b><u>100.0</u></b>	<b><u>97,426,614</u></b>	<b><u>100.0</u></b>	<b><u>(7,882,728)</u></b>	<b><u>(8.1)</u></b>
<u>Investment Type</u>						
Corporate Bonds (Rated)	11,962,927	13.4	4,444,238	4.6	7,518,689	169.2
Corporate Asset-Backed Bonds	0	0.0	5,377,729	5.5	(5,377,729)	(100.0)
US Govt Direct Obligations	776,024	0.9	1,185,000	1.2	(408,976)	(34.5)
US Government Agency	<u>27,587,857</u>	<u>30.8</u>	<u>29,709,665</u>	<u>30.5</u>	<u>(2,121,807)</u>	<u>(7.1)</u>
<b>Total Fixed Income</b>	<b><u>40,326,807</u></b>	<b><u>45.0</u></b>	<b><u>40,716,631</u></b>	<b><u>41.8</u></b>	<b><u>(389,824)</u></b>	<b><u>(1.0)</u></b>
Cash Equivalents (STIP)	<u>49,217,079</u>	<u>55.0</u>	<u>56,709,983</u>	<u>58.2</u>	<u>(7,492,904)</u>	<u>(13.2)</u>
<b>Total</b>	<b><u>89,543,886</u></b>	<b><u>100.0</u></b>	<b><u>97,426,614</u></b>	<b><u>100.0</u></b>	<b><u>(7,882,728)</u></b>	<b><u>(8.1)</u></b>

<b>Other Insurance Book/Fair Values At June 30, 2008</b>					
<b>Fund Type</b>	<b>Book \$ Value</b>	<b>Fair \$ Value</b>	<b>Fair \$ +/- Book</b>	<b>% of Book</b>	<b>% of Fair</b>
Group Insurance	44,460,958	44,327,658	(133,300)	49.7	49.5
Old Fund	31,486,695	31,614,188	127,493	35.2	35.3
Hail Insurance	12,860,805	12,860,805	0	14.4	14.4
Subsequent Injury	<u>735,428</u>	<u>720,091</u>	<u>(15,337)</u>	<u>0.8</u>	<u>0.8</u>
<b>Total</b>	<b><u>89,543,886</u></b>	<b><u>89,522,742</u></b>	<b><u>(21,144)</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>
<b>Investment Type</b>					
Corporate Bonds (Rated)	11,962,927	11,658,941	(303,985)	13.4	13.0
US Govt Direct Obligations	776,024	793,605	17,581	0.9	0.9
US Government Agency	<u>27,587,857</u>	<u>27,853,117</u>	<u>265,260</u>	<u>30.8</u>	<u>31.1</u>
<b>Total Fixed Income</b>	<b><u>40,326,807</u></b>	<b><u>40,305,663</u></b>	<b><u>(21,144)</u></b>	<b><u>45.0</u></b>	<b><u>45.0</u></b>
Cash Equivalents (STIP)	<u>49,217,079</u>	<u>49,217,079</u>	<u>0</u>	<u>55.0</u>	<u>55.0</u>
<b>Total</b>	<b><u>89,543,886</u></b>	<b><u>89,522,742</u></b>	<b><u>(21,144)</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

Other Insurance Portfolios are listed beginning on Page A-10 of Appendix A.

## TREASURER'S FUND

The Treasurer's Fund (Fund) is comprised of surplus cash in all state accounts that do not retain their investment earnings. All earnings are deposited in the state general fund. State law authorizes the Board to determine the amount of surplus cash in the Fund to be invested and the type of investments to be made. Invested balances at book value vary widely due to varying levels of excess cash in the state's general fund and other accounts comprising the Fund. This Fund has been a major investor in STIP since 1974 when STIP was created.

<b><u>Treasurer's Fund Annual Change At June 30</u></b>						
<b><u>Investment Type</u></b>	<b><u>2008 \$ Book Value</u></b>	<b><u>% of Total</u></b>	<b><u>2007 \$ Book Value</u></b>	<b><u>% of Total</u></b>	<b><u>\$ Change</u></b>	<b><u>% of Change</u></b>
US Bank Sweep Repo	12,123,446	1.3	18,255,027	2.0	(6,131,581)	(33.6)
US Government Agency	109,754,022	11.7	149,136,968	16.5	(39,382,947)	(26.4)
Cash Equivalents (STIP)	818,868,548	87.0	733,882,467	81.4	84,986,081	11.6
<b>Total</b>	<b><u>940,746,015</u></b>	<b><u>100.0</u></b>	<b><u>901,274,462</u></b>	<b><u>100.0</u></b>	<b><u>39,471,553</u></b>	<b><u>4.4</u></b>

<b><u>Treasurer's Fund Book/Fair Values At June 30, 2008</u></b>					
<b><u>Investment Type</u></b>	<b><u>Book \$ Value</u></b>	<b><u>Fair \$ Value</u></b>	<b><u>Fair \$ +/- Book</u></b>	<b><u>% of Book</u></b>	<b><u>% of Fair</u></b>
US Bank Sweep Repo	12,123,446	12,123,446	0.0	1.3	1.3
US Government Agency	109,754,022	111,212,456	1,458,434	11.7	11.8
Cash Equivalents (STIP)	818,868,548	818,868,548	0.0	87.0	86.9
<b>Total</b>	<b><u>940,746,015</u></b>	<b><u>942,204,450</u></b>	<b><u>1,458,434</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

<b><u>Treasurer's Fund 2008 Total Rates of Return</u></b>				
<b><u>Asset Type</u></b>	<b><u>% Return</u></b>	<b><u>Benchmarks</u></b>	<b><u>Benchmark % Return</u></b>	<b><u>Return +/- Benchmark</u></b>
Cash Equivalents (STIP)	4.27	3 Month Treasury	3.33	0.94
Fixed Income	6.24	ML US Treasury 1-3 Yrs.	7.30	(1.06)
<b>All Assets</b>	<b><u>4.66</u></b>			

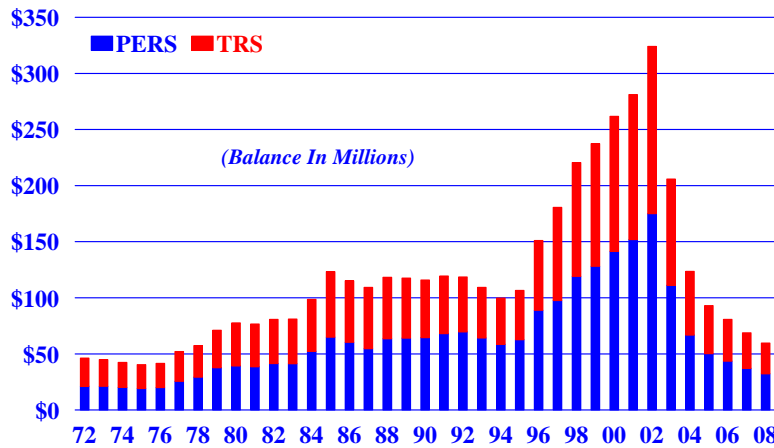
The Treasurer's Fund earned \$30.8 million in investment income in 2008, compared to \$34.0 million in 2007. The Treasurer's Fund Portfolio is listed beginning on Page A-6 of Appendix A. The Treasurer's Fund invested balance and income history are shown on Page A-22 of Appendix A.



## MONTANA RESIDENTIAL MORTGAGES

### Pension Mortgages History

#### Outstanding Principal At Year-End



The Board invests pension funds in Montana mortgages by purchasing all or a portion of mortgages from qualified financial institutions. Interest rates are set weekly, based on quotes from the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, the two major US secondary mortgage markets. Financial institutions charge a fee for servicing the loans. The number and location of mortgages purchased by the Board depend upon the mortgage lending activities of individual financial institutions and their interest in the Board's mortgage program.

#### Montana Mortgages By Type Annual Change At June 30

Mortgage Type	2008 Book Value	% Of Total	2007 Book Value	% Of Total	\$ Change	% Change
Residential Conventional	40,065,683	67.1	46,692,666	67.8	(6,626,983)	(14.2)
Residential FHA	17,531,711	29.4	19,651,508	28.5	(2,119,797)	(10.8)
Residential VA	<u>2,112,720</u>	<u>3.5</u>	<u>2,505,805</u>	<u>3.6</u>	<u>(393,085)</u>	<u>(15.7)</u>
<b>Total Mortgages</b>	<b>59,702,382</b>	<b>100.0</b>	<b>68,837,530</b>	<b>100.0</b>	<b>(9,135,148)</b>	<b>(13.3)</b>

Mortgage rates on the secondary market declined to less than 6 percent during 2003 and the Board chose not to purchase mortgages for the pension funds at these rates. This policy, combined with heavy re-financings of mortgages in the portfolio has caused a significant drop in the pension mortgage portfolio since 2003.

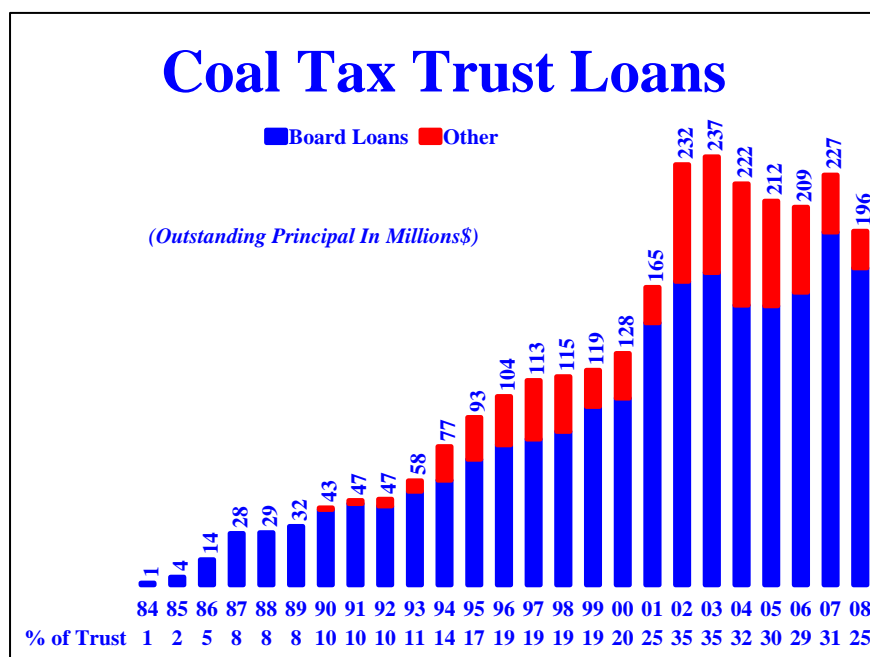
**Loan Losses/Arrears** - Pension Mortgage loans in arrears 90 days or more, decreased from .57 percent of total mortgage holdings at year-end 2007 to .14 percent of mortgage holdings at year-end 2008. These arrears ratios compare to .72 percent and .60 percent respectively for Montana\* financial institutions during the period. There were no properties in foreclosure at year-end 2007 or year-end 2008. All mortgages are secured by single-family residential or multi-family residential properties in Montana.

\*Source: Total FDIC Past Due and Non Accrual as of 3-31-08

**Residential Mortgage Balances By County Annual Change At June 30**

<u>County</u>	<u>2008 Balance</u>	<u>% Of Total</u>	<u>2007 Balance</u>	<u>% Of Total</u>	<u>07-08 \$ Change</u>	<u>2008 Loans</u>	<u>2007 Loans</u>	<u>07-08 Change</u>
Yellowstone	19,608,789	32.8	23,676,611	34.4	(4,067,822)	357	414	(57)
Gallatin	6,258,721	10.5	7,425,463	10.8	(1,166,742)	94	113	(19)
Flathead	3,778,553	6.3	4,021,761	5.8	(243,208)	60	66	(6)
Lake	3,482,828	5.8	3,677,695	5.3	(194,868)	57	62	(5)
Richland	2,666,011	4.5	2,828,760	4.1	(162,749)	51	57	(6)
Custer	2,203,765	3.7	2,831,963	4.1	(628,198)	66	80	(14)
Stillwater	2,197,561	3.7	2,720,186	4.0	(522,625)	37	48	(11)
Cascade	1,755,697	2.9	2,514,550	3.7	(758,853)	39	53	(14)
Roosevelt	1,658,767	2.8	1,793,215	2.6	(134,448)	39	43	(4)
Sanders	1,608,671	2.7	1,616,448	2.3	(7,777)	25	26	(1)
Blaine	1,602,653	2.7	1,788,141	2.6	(185,488)	20	23	(3)
Valley	1,422,357	2.4	1,223,371	1.8	198,986	31	31	0
Carbon	1,301,640	2.2	1,385,398	2.0	(83,758)	22	23	(1)
Phillips	1,178,917	2.0	930,057	1.4	248,860	20	18	2
Hill	1,090,393	1.8	1,507,989	2.2	(417,595)	24	30	(6)
Fallon	912,192	1.5	653,843	0.9	258,349	14	12	2
Beaverhead	725,927	1.2	656,492	1.0	69,435	12	13	(1)
Missoula	691,829	1.2	769,931	1.1	(78,103)	11	14	(3)
Dawson	646,867	1.1	764,489	1.1	(117,622)	20	24	(4)
Park	645,869	1.1	1,082,534	1.6	(436,665)	15	24	(9)
Broadwater	433,069	0.7	433,957	0.6	(888)	9	13	(4)
Madison	375,925	0.6	499,573	0.7	(123,648)	3	4	(1)
Fergus	331,427	0.6	337,129	0.5	(5,702)	5	6	(1)
Jefferson	321,471	0.5	343,951	0.5	(22,480)	5	5	0
Rosebud	308,815	0.5	444,405	0.6	(135,590)	10	12	(2)
Bighorn	288,201	0.5	360,421	0.5	(72,220)	7	8	(1)
Choteau	282,389	0.5	343,367	0.5	(60,978)	6	7	(1)
Silver Bow	257,538	0.4	279,181	0.4	(21,643)	7	7	0
Lewis & Clark	236,675	0.4	427,604	0.6	(190,930)	6	13	(7)
Wheatland	210,736	0.4	66,008	0.1	144,728	3	1	2
Ravalli	186,630	0.3	260,463	0.4	(73,832)	3	5	(2)
Glacier	145,600	0.2	151,330	0.2	(5,730)	3	3	0
Pondera	118,133	0.2	120,338	0.2	(2,205)	2	2	0
Teton	97,052	0.2	103,369	0.2	(6,317)	3	3	0
Deer Lodge	95,967	0.2	101,550	0.1	(5,583)	3	3	0
Sheridan	76,663	0.1	103,678	0.2	(27,016)	5	6	(1)
McCone	73,361	0.1	82,041	0.1	(8,680)	2	3	(1)
Mineral	71,161	0.1	75,368	0.1	(4,207)	1	1	0
Powell	69,040	0.1	73,064	0.1	(4,023)	2	2	0
Sweet Grass	60,617	0.1	96,136	0.1	(35,519)	2	3	(1)
Prairie	55,969	0.1	61,103	0.1	(5,133)	2	2	0
Musselshell	50,888	0.1	52,273	0.1	(1,385)	1	1	0
Judith Basin	47,913	0.1	49,053	0.1	(1,140)	1	1	0
Carter	43,319	0.1	48,444	0.1	(5,125)	2	2	0
Powder River	16,551	0.0	19,848	0.0	(3,297)	1	1	0
Wibaux	12,385	0.0	15,214	0.0	(2,829)	1	1	0
Toole	4,613	0.0	8,021	0.0	(3,409)	1	1	0
Golden Valley	0	0.0	24,195	0.0	(24,195)	0	1	(1)
Total	59,702,382	100.0	68,837,530	100.0	(9,135,148)	1,110	1,291	(181)

## COAL TAX TRUST LOANS



Created in 1984 as part of the "Build Montana" program, this program invests Coal Tax Trust funds in Montana to stimulate the state's economy. State law authorizes the Board to invest the Trust to increase employment and business opportunities, while maintaining and improving the state's physical environment. The "other" portion of the graph is comprised of these loans:

Science & Tech - 12.9 Million  
 Dep. of Justice - 2.5 Million  
 Facilities Finance - \$4.9 Million

**Loan Types** – Four different loan types are available in the In-State Investment Program, some of which offer a job credit interest rate reduction equal to 0.05 percent for each job created, up to a maximum reduction of 2.5 percent.

**The Commercial Loan Participation Program** purchases from originating financial institutions up to 80 percent of a participation loan. Unencumbered land, buildings, and equipment may be financed with the loan proceeds. The financial institutions charge a fee to service the loan and the Board's loan is collateralized proportionally to the Board's share of the loan. At year-end 2008, this Program had \$138.8 million in loan principal outstanding.

**The Infrastructure Loan Program** provides loans to eligible local governments for constructing infrastructure required by job creating businesses in their jurisdiction. At year-end 2008, this Program had \$20.0 million in loan principal outstanding. Total loans outstanding in this Program are limited by law to \$80.0 million.

**The Value-added Loan Program** provides low interest loans to value-added type businesses that create or retain jobs. At year-end 2008, this Program had \$14.3 million in loan principal outstanding. Total loans outstanding in this Program are limited by law to \$70.0 million.

**The Intermediary Re-lending Program** provides loans to local economic development organizations with revolving loan programs. At year-end 2008, this Program had \$2.3 million in loan principal outstanding. Individual loans may not exceed \$500,000 and total loans outstanding in this Program are limited by law to \$5.0 million.

**Loan Yield** - On June 30, 2008, the average weighted yield of all outstanding loans, excluding Value-Added and IRP loans whose interest rates are set by law, was 5.60 percent.

# Loans From Inception By County Annual Change At June 30

<u>County</u>	<u>Through 2008</u>	<u>% Of Total</u>	<u>Through 2007</u>	<u>% Of Total</u>	<u>07-08 \$ Increase</u>	<u>2008 Loans</u>	<u>2007 Loans</u>	<u>07-08 Inc</u>
Missoula	117,530,324	20.1	115,965,210	20.6	1,565,114	219	218	1
Gallatin	84,043,860	14.4	82,178,070	14.6	1,865,790	121	119	2
Yellowstone	79,074,680	13.6	75,699,743	13.4	3,374,937	138	135	3
Cascade	51,102,187	8.8	48,206,927	8.6	2,895,260	51	49	2
Lewis & Clark	50,536,628	8.7	44,579,628	7.9	5,957,000	94	93	1
Flathead	47,109,507	8.1	46,709,790	8.3	399,718	88	86	2
Park	22,503,729	3.9	22,503,729	4.0	0	29	29	0
Lake	19,432,991	3.3	19,432,991	3.4	0	90	90	0
Ravalli	14,987,006	2.6	14,987,006	2.7	0	46	46	0
Madison	13,713,554	2.4	13,713,554	2.4	0	70	70	0
Beaverhead	11,150,710	1.9	11,150,710	2.0	0	30	30	0
Silver Bow	9,984,183	1.7	9,984,183	1.8	0	9	9	0
Stillwater	9,289,630	1.6	9,289,630	1.6	0	49	49	0
Blaine	5,955,325	1.0	5,955,325	1.1	0	34	34	0
Hill	5,265,248	0.9	1,511,297	0.3	3,753,951	10	9	1
Richland	3,580,953	0.6	3,580,953	0.6	0	26	26	0
Roosevelt	3,222,856	0.6	3,204,652	0.6	18,204	8	8	0
Rosebud	3,162,078	0.5	3,162,078	0.6	0	2	2	0
Carbon	3,154,586	0.5	3,154,586	0.6	0	13	13	0
Phillips	3,097,177	0.5	3,097,177	0.5	0	5	5	0
Jefferson	2,863,980	0.5	2,863,980	0.5	0	12	12	0
Sanders	2,721,699	0.5	2,721,699	0.5	0	9	9	0
Valley	2,308,767	0.4	2,308,767	0.4	0	17	17	0
Custer	1,960,399	0.3	1,960,399	0.3	0	3	3	0
Lincoln	1,923,608	0.3	1,923,608	0.3	0	6	6	0
Choteau	1,701,998	0.3	1,701,998	0.3	0	4	4	0
Mineral	1,611,093	0.3	1,611,093	0.3	0	3	3	0
Granite	1,524,095	0.3	1,524,095	0.3	0	6	6	0
Meagher	1,424,517	0.2	1,424,517	0.3	0	5	5	0
Fergus	1,264,955	0.2	1,219,955	0.2	45,000	3	2	1
Dawson	874,285	0.1	874,285	0.2	0	1	1	0
Pondera	782,199	0.1	782,199	0.1	0	3	3	0
Sweet Grass	751,737	0.1	751,737	0.1	0	3	3	0
Bighorn	676,400	0.1	676,400	0.1	0	3	3	0
Powell	616,500	0.1	616,500	0.1	0	1	1	0
Toole	492,707	0.1	492,707	0.1	0	1	1	0
Fallon	476,429	0.1	476,429	0.1	0	2	2	0
Broad water	463,199	0.1	463,199	0.1	0	3	3	0
Liberty	455,439	0.1	455,439	0.1	0	3	3	0
McCone	295,148	0.1	295,148	0.1	0	3	3	0
Musselshell	163,000	0.0	163,000	0.0	0	1	1	0
Daniels	121,637	0.0	121,637	0.0	0	1	1	0
Wibaux	90,000	0.0	90,000	0.0	0	1	1	0
Powder River	<u>57,105</u>	<u>0.0</u>	<u>57,105</u>	<u>0.0</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Total	<u>583,518,108</u>	<u>100.0</u>	<u>563,643,134</u>	<u>100.0</u>	<u>19,874,974</u>	<u>1,227</u>	<u>1,214</u>	<u>13</u>

### **Commercial Loan By Sector Annual Change At June 30**

<b><u>Investment Type</u></b>	<b><u>2008 Book Value</u></b>	<b><u>% Of Total</u></b>	<b><u>2007 Book Value</u></b>	<b><u>% Of Total</u></b>	<b><u>\$ Change</u></b>	<b><u>% Change</u></b>
Service Industry	198,056,579	33.9	192,632,806	34.2	5,423,773	2.8
Finance/Insurance/Real Estate	105,062,870	18.0	99,575,811	17.7	5,487,059	5.5
Retail Trade	91,053,660	15.6	88,494,501	15.7	2,559,159	2.9
Manufacturing	84,884,232	14.5	79,244,232	14.1	5,640,000	7.1
Agriculture/Forestry/Fishing	61,621,805	10.6	61,621,805	10.9	0	(0.0)
Transportation/Utilities/Comm.	20,815,516	3.6	20,815,516	3.7	0	0.0
Wholesale Trade	10,940,615	1.9	10,940,615	1.9	0	(0.0)
Construction	8,090,819	1.4	7,370,836	1.3	719,984	9.8
Mining	2,947,010	0.5	2,947,010	0.5	0	0.0
Public Administration	<u>45,000</u>	<u>0.0</u>	<u>0</u>	<u>0.0</u>	<u>45,000</u>	<u>N/A</u>
<b>Total</b>	<b><u>583,518,108</u></b>	<b><u>100.0</u></b>	<b><u>563,643,134</u></b>	<b><u>100.0</u></b>	<b><u>19,874,974</u></b>	<b><u>3.5</u></b>

**Loan Losses/Arrears** - The number of loans in this program in arrears 90 days or more was zero for year-end 2007 and year-end 2008. These arrears ratios compare to .98 percent and .84 percent, respectively for Montana financial institutions during that period \*. There were no losses in 2007 or 2008.

\*Source: Total FDIC Past Due and Non Accrual as of 3-31-08

In addition to the Coal Tax Loan Program and the Residential Mortgage Programs, the Board also invests other state funds in Montana and guarantees bonds as shown in the table below:

### **Instate Loans and Other In-State Investments**

<b><u>Loan Type</u></b>	<b><u>2008 \$ Book Value</u></b>	<b><u>2007 \$ Book Value</u></b>	<b><u>\$ Change</u></b>
Commercial Loans	138,786,183	156,848,901	(18,062,719)
Residential Mortgages	59,702,382	68,837,530	(9,135,148)
School Trust Loan	0	11,573,605	(11,573,605)
Equity Real Estate	16,964,552	17,969,852	(1,005,299)
Montana Science and Technology	12,939,836	13,089,151	(149,315)
Value-Added Loans	14,305,523	17,760,734	(3,455,211)
Infrastructure Loans	19,951,844	18,859,692	1,092,153
Department of Justice Loan	2,547,000	2,317,000	230,000
Facility Finance Authority Loans	4,878,661	4,615,196	263,465
Intermediary Loan Program	<u>2,277,156</u>	<u>1,702,895</u>	<u>574,262</u>
<b>Total In-State Loans</b>	<b><u>272,353,138</u></b>	<b><u>313,574,555</u></b>	<b><u>(41,221,417)</u></b>
PPL Montana	38,636,683	40,855,423	(2,218,740)
Med Map LLC (St. Vincent's Hospital, Billings)	22,735,000	22,330,000	405,000
Montana CRP Bonds (42 issues)	1,508,366	2,287,149	(778,784)
Board of Housing	<u>1,120,000</u>	<u>1,130,000</u>	<u>(10,000)</u>
<b>Total State, Local Gvt and Corporate Bonds</b>	<b><u>64,000,049</u></b>	<b><u>66,602,572</u></b>	<b><u>(2,602,523)</u></b>
<b>Total Loans and Bonds</b>	<b><u>336,353,187</u></b>	<b><u>380,177,128</u></b>	<b><u>(43,823,941)</u></b>
<b>Bond Guarantees (1)</b>	<b><u>182,393,408</u></b>	<b><u>186,630,336</u></b>	<b><u>(4,236,928)</u></b>

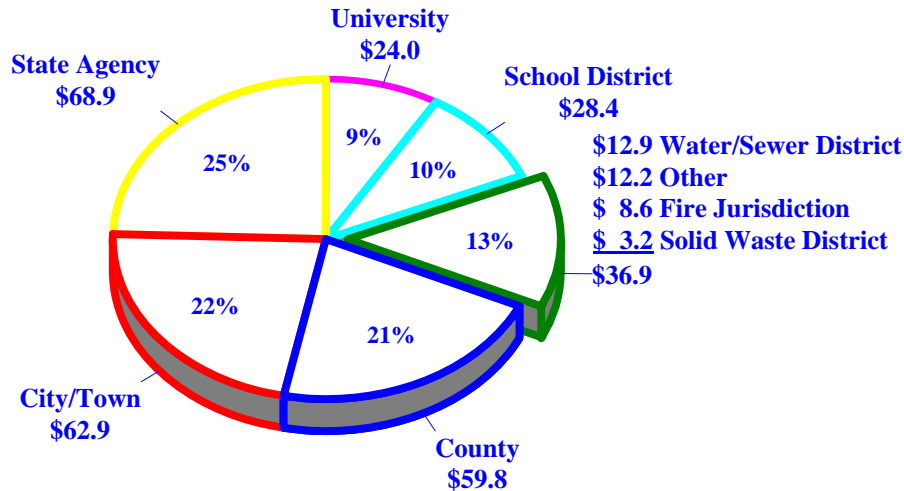
(1) Guarantees of INTERCAP and Montana Facility Finance Authority Bonds

## BOND PROGRAMS

### INTERCAP Loans

**From Inception By Borrower Type \$280.9 Million  
at June 30, 2008**

(In Millions)



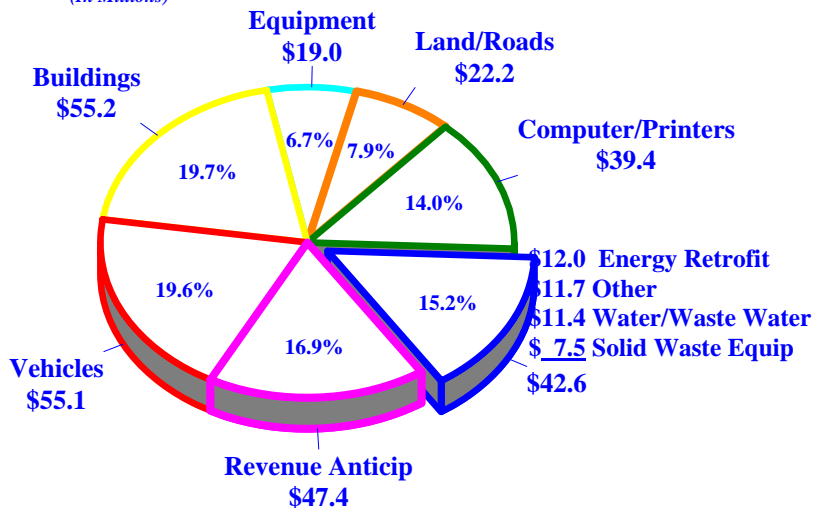
**INTERCAP** - The Board administers several bond programs under the Montana Economic Development Bond and the Municipal Finance Consolidation Acts, created as part of the "Build Montana" program in 1984.

The INTERCAP program lends funds to eligible governments for a variety of purposes. The upper graph depicts the types of borrowers using the program since its inception. Since 1987, 436 eligible governments have received 1,273 loans, totaling \$280.9 million.

### INTERCAP Loans

**From Inception By Project Type \$280.9 Million  
at June 30, 2008**

(In Millions)



The lower graph shows the types of projects for which loans were made since program inception. At June 30, 2008, there was \$77.3 million in outstanding loan balances.

INTERCAP loans are funded with proceeds from bonds issued by the Board. Since the program's inception, the Board has issued \$124.0 million in bonds with \$98.0 million outstanding at June 30, 2008.

Loan interest rates, which are reset each February 16 based on the interest on the bonds funding the loans, were set at 4.25 percent on February 16, 2008.

Other bond programs managed by the Board are:

- ***School District Pooled Refunding Program***

In 1991 the Board purchased general obligation refunding bonds of participating school districts, enabling the districts to refinance their outstanding bonds at a lower interest rate. The 16 school districts participating in this \$6.234 million bond issue saved a total of \$577,600 in interest over the life of the refunding bonds. These bonds matured in January 2005. Although this Program is inactive, it could be re-activated given sufficient demand.

- ***Pooled Irrigation Program***

Five irrigation districts participated in this Program that prepaid their outstanding loans to the federal Bureau of Reclamation. The Board issued bonds of \$4.976 million in 1988 to prepay \$15.6 million of non-interest bearing federal loans held by the districts. The Board lent the bond proceeds to the districts at an average 7.20 percent interest. Although the districts paid off non-interest federal loans with interest bearing loans, they saved a total of \$5.9 million, because the federal loans were prepaid at steep discounts, thereby significantly lowering the amount of principal owed by the districts.

- ***Qualified Zone Academy Bond Program (QZAB)***

This program allows qualifying school districts to borrow money at no or nominal interest rates by issuing qualified zone academy bonds. Bonds outstanding as of June 30 are listed below:

<b><u>Project</u></b>	<b><u>Issue Date</u></b>	<b><u>Issue Amount</u></b>	<b><u>6/30/2008 Balance</u></b>
Huntley Project Schools	12/01/00	750,000	750,000
Bozeman Public Schools	11/25/03	1,586,000	1,586,000
Philipsburg Schools	12/10/03	2,000,000	2,000,000
Cut Bank Elementary	08/18/05	825,000	825,000
Cut Bank High School	08/18/05	625,000	625,000
Bozeman Public Schools	12/21/06	1,459,250	1,459,250
<b>Total</b>		<b><u>7,245,250</u></b>	<b><u>7,245,250</u></b>

## **Economic Development Bond Act**

- ***Stand Alone Economic Development Bond Program***

This Program provides qualifying businesses access to tax-exempt funds and the Board has issued bonds to finance several projects. The Board acts as a legal funding conduit only and is not pecuniarily liable for the repayment of the bonds. Bonds outstanding as of June 30 are listed below:

<b><u>Project</u></b>	<b><u>Issue Date</u></b>	<b><u>Issue Amount</u></b>	<b><u>6/30/2008 Balance</u></b>
Colstrip	10/01/89	60,800,000	45,300,000
BGI	07/01/93	118,345,000	110,145,000
Stillwater Mining	07/01/00	30,000,000	30,000,000
Gainey Foundation	10/01/02	6,000,000	3,775,000
<b>Total</b>		<b><u>215,145,000</u></b>	<b><u>189,220,000</u></b>

***Montana Conservation Reserve Payment (CRP) Enhancement Program***

This Program provides loans to Montana farmers to refinance outstanding loans and/or to purchase additional land and farm equipment. The borrowers assign their federal CRP contracts to the Board in exchange for a loan ranging from 60 percent to 75 percent of the remaining payments on the CRP contracts. When the Program began, bonds were issued to provide funding for the loans. Currently, the loans are funded from the Trust Funds Bond Pool as an investment. Loan interest rates are typically set at 0.50 higher than the interest set by the Trust Funds Bond Pool manager. A total of 256 loans, totaling \$33.4 million have been funded under this Program.

- ***Pooled Economic Development Bond Program***

This Program, inactive since 1986 due to federal tax law revisions, provided loans to small businesses to expand and improve their facilities. The Board funded the loans by issuing tax-exempt bonds. Except for a pledge of revenues and a guaranty fund, the Board has no pecuniary liability under this Program. The last outstanding loan was paid off in May 2006. The bonds issued to fund the loans have been repaid.

The Bond Program financial statements begin on Page B-52 in Appendix B.



# Appendix A - Total Income By Fund FY08

Account Description	Investment Income	Pool Distributions						MTRP	Total
		STIP	MDEP	MTIP	MPEP	RFBP	TFBP		
03241 HAVA 251 CFDA 9		47,415							47,415
03715 HAVA 101 CFDA 3		105,089							105,089
1999C LRBP Bond		665							665
2001B LRBP Bonds		275							275
2002B LRBP Bonds		58							58
2003A LRBP Bonds		3,087							3,087
2004B LRBP		771							771
2005 Gear Up Fed Scho		26,408							26,408
2005 Gear Up Fed Scho		436							436
2005B LRBP Bonds		167							167
2006A LRBP 10 - Year		40,567							40,567
2006A LRBP 20 - Year		161,991							161,991
2007D LRBP		183,078							183,078
457 Plan - Administra		24,172							24,172
911 Wireless		15,443							15,443
911 Wireless Provider		18,542							18,542
Acc. Cty Sick/Vacatio		15,594							15,594
Acquisitions Trust		679	364				2,646		3,688
Affordable House Revo		1,398							1,398
Ag NB Private Funds		461							461
Agency Insurance Int.		1,121,675							1,121,675
Alfalfa Leaf Cutting		321							321
Alfalfa Seed Assessme		3,219							3,219
Alternative Energy Re		50,648							50,648
Anhydrous Ammonia Acc		1,086							1,086
Animal Health		1,405							1,405
Apiary Account		9							9
Arbitrage Rebate		211							211
Basic 9-1-1 Emrgncy P		4,951							4,951
Beginning Farm Loans		25							25
Big Horn Limestone Bo		25,329							25,329
Big Sky Economic Dev.		62,921					1,738,420		1,801,342
Blackfeet IOS Fees		3,865							3,865
Blackfeet Mitigation		633,772							633,772
BOH Financial Program		4,134							4,134
Broadwater Irrigation		36,088							36,088
Broadwater O & M		1,028							1,028
BVSL Special Revenue		51,546							51,546
C R Kendall Bond Forf		92,438							92,438
Cashed Plan I Securit		17,312							17,312
Cashed Plan II Securi		22,930							22,930
Charles Bair Trust		1,201	1,508				9,794		12,503
Cherry Research & Mar		1,193							1,193
Churchill Endowment		214							214
CMC CECRA Sites		4,361							4,361
Coal Bed Methane Prot		197,161							197,161
Coal Severance Tax In	9,783,514	1,500,740					17,570,358		28,854,611
Coal Tax Trust Accoun		17,797							17,797
Coal Tax-FWP Trust		17,146					1,007,553		1,024,699
Commercial Feed		12,578							12,578
Commercial Fertilizer		4,373							4,373
Commodity Dealer/Ware		1,405							1,405
Common School Permane		605,693							605,693
Common School Trust -		105,914							105,914
Corbin Flats Fin Assu		1,477							1,477
CST 04A Refund Debt S		25,461							25,461
CST 04B Debt Service-		1,470							1,470
CST 2001D Refunding D		78,352							78,352
CST 2001E Tax Ex DS		233							233
CST 2001F Taxable D S		167							167
CST 2003A Taxex Debt		30,297							30,297
CST 90 A Fisheries Mi		1,090							1,090
CST 97A Debt Service		837							837
CST 97B Debt Service		1,603							1,603
CST Bond Unrestrict.		189,340							189,340
CST OIC Refunding D.S		855							855
Cultural Trust		11,193					572,852		584,045
Donated SAR - Aeronau		241							241
EDA Revolving Loan Fu		4,201							4,201

# Appendix A - Total Income By Fund FY08

Account Description	Investment Income	<-----Pool Distributions----->						MTRP	Total
		STIP	MDEP	MTIP	MPEP	RFBP	TFBP		
Elk Auction		4,111							4,111
Employment Security A		273,953							273,953
Endowment For Children		14,636					43,809		58,445
Energy Conservation:		40,878							40,878
Energy Conservation:		20,465							20,465
Enhanced 9-1-1 Emerg		10,486							10,486
Environmental Conting		14,538							14,538
Environmental Quality		69,614							69,614
Environmental Rehab &		12,469							12,469
Facilities Finance Au		86,700							86,700
Fert. Groundwater Acc		580							580
Fire Suppression Fund		778,348							778,348
Firefighters Unified	368,060	179,939	786,121	797,545	380,673	2,858,694		255,935	5,626,966
Fisheries Mit Trust F		81,016							81,016
Fishing Access Site A		3,126							3,126
Fishing Access Site M		10,347							10,347
Flexible Spending Fun		22,182							22,182
Foster Child Trust		6,134							6,134
FY01 CST Nontaxable B		409							409
FY01 CST Taxable Bond		165							165
FY05 CERCLA Bond Proc		6,678							6,678
FY06 CERCLA Bond Proc		39,060							39,060
Game Wardens Retireme	57,558	87,112	297,520	306,855	142,878	1,082,804		99,294	2,074,021
Gear Up Achievement S		305							305
Gear Up Essay Scholar		7,984							7,984
Gear Up Trio Scholars		17,934							17,934
General Fund	7,800,507	22,982,242							30,782,748
General License	151,170	1,386,680							1,537,850
General Trust Fund		2,672							2,672
GMF - Craney Exhibit		1,461							1,461
GO 03 SBP Bond Procee		1,697							1,697
GO 05C SPB Bond Proce		682							682
GO Bond Debt Ser-Rene		70,244							70,244
GO Bond Loan Loss Res		19,462							19,462
GO FY06 SPB Bond Proc		8,259							8,259
GO SBP Debt Service		85,917							85,917
Grain Services		2,737							2,737
Group Benefits Claims	453,517	1,518,636							1,972,153
GSL Collections Clear		18,413							18,413
Guaranteed Std. Loan		295,432							295,432
Habitat Trust Interes		66,012							66,012
Hail Insurance		404,893							404,893
Hard Rock Mining Recl		164,697							164,697
Haynes Collection Tru		1,136							1,136
Hazardous Waste-CERCL		9,462							9,462
HFA Loan Program		17,556							17,556
Highway 93 Bond Proce		1,743,519							1,743,519
Highway Patrol Retire	119,554	78,566	404,251	420,113	198,871	1,498,563		133,652	2,853,569
Highways Special Reve		127,830							127,830
Housing Trust Fund		42,202							42,202
HUD Section 8 Housing		286,166							286,166
Industrial Accident R		2,412							2,412
Industrial Revenue Bo		10,041							10,041
Inspection and Contro		69,009							69,009
James H. Bradley Memo		560	2,354				6,756		9,670
Justice Assistance Gr		26,287							26,287
Juvenile Accountabili		5,763							5,763
Landusky Recl-Last (1		10,999							10,999
Leg Branch Reserve Ac		48,559							48,559
Leg Branch Retirement		14,802							14,802
Long Range Building P		1,394,363							1,394,363
Luttrill Pit - Oper &		45,183							45,183
Lvstk Per Capita		55,441							55,441
LWRD Start Program -		1,001							1,001
Market Based Combo Sa		171,806							171,806
Merritt-Wheeler Memor		129	599				1,585		2,313
MFWP Visitor Services		4,802							4,802
Microbusiness Admin A		76,588							76,588
Military Family Relie		27,728							27,728

# Appendix A - Total Income By Fund FY08

Account Description	Investment Income	Pool Distributions						MTRP	Total
		STIP	MDEP	MTIP	MPEP	RFBP	TFBP		
Milk Control Bureau		2,709							2,709
Milltown Restoration		114,467							114,467
Mint Committee		710							710
Montana Heritage Comm		13,592							13,592
Montana IA Disaster F		563							563
Montana Judges Retire		55,297	246,049	250,988	119,487	904,816		81,185	1,657,822
Montana Land Informat		54,517							54,517
Montana Pathways - Bu		248							248
Montana Pole Remedial	79,195	227,401					1,273,754		1,580,349
Montana Pole-Miners B		4,660							4,660
Montana Real Estate Pool		955,871							955,871
Montana State Library		7,846							7,846
Moore-Sipple Connecto		9,929							9,929
Moose Auction		2,721							2,721
Mountain Goat Auction		660							660
Mountain Sheep Accoun		40,429							40,429
MSU -AG Genl Operatin		97,443							97,443
MSU Agency Funds		1,293,945							1,293,945
MSU Auxiliary Funds		301,284					245,962		547,247
MSU Designated Funds		776,305					522,038		1,298,343
MSU Endowment Funds		1,022					11,311		12,333
MSU General Operating		290,296					2,122		292,419
MSU Loan Funds		79,761							79,761
MSU Renewal & Replace		233,936					29,681		263,617
MSU Restricted Funds		62,688					1,468		64,157
MSU Retirmnt of Indeb		236,921							236,921
MSU Unexpended Plant		86,272							86,272
MSU-AG Designated Fun		32,721							32,721
MSU-AG Renewal & Repl		2,678							2,678
MSU-AG Restricted Fun		12,142					12,632		24,774
MSU-AG Unexpended Pla		3,359							3,359
MSU-Billings Agency F		415,795							415,795
MSU-Billings Auxiliar		81,259							81,259
MSU-Billings Designat		164,097							164,097
MSU-Billings Loan Fun		9,020							9,020
MSU-Billings Restrict		279							279
MSU-Blg Unexpended Pl		24,564							24,564
MSU-Blgs Genl Operati		41,358							41,358
MSU-Blgs Renewal & Re		124,691							124,691
MSU-Blgs Retiremmt In		1,529							1,529
MSU-EXT Designated Fu		54,705							54,705
MSU-EXT Genl Operatin		13,520							13,520
MSU-FIRE Designated F		2,678							2,678
MSU-FIRE Genl Operati		2,042							2,042
MSU-GCOT Agency Funds		84,408							84,408
MSU-GCOT Auxiliary Fu		7,698							7,698
MSU-GCOT Designated F		27,156							27,156
MSU-GCOT Genl Operati		15,449							15,449
MSU-GCOT Restricted F		3,066							3,066
MSU-GCOT Retrmnt Inde		5							5
MSU-GCOTUnexpended Pl		38,189							38,189
MSU-GFCOTRenewal&Rplc		2,877							2,877
MSU-Northern Agency F		9,960							9,960
MSU-Northern Endowmen		685							685
MSU-Nrthern Genl Oper		15,448							15,448
MT Oil & Gas Tax Clea		1,548,701							1,548,701
MT Tunnels Int Bearin		4,332							4,332
Mule Deer Auction		1,127							1,127
MUS Group Insurance P		1,363,270							1,363,270
MUS Self-Funded Worke		259,744							259,744
New Fund	43,379,088	892,446							44,271,533
Nongame Wildlife Acco		3,721							3,721
Norm Close Class III-		1,602							1,602
Noxious Weed Admin Ac		55,597							55,597
Noxious Weed Trust In	155,507	56,408					351,662		563,578
Nursery Account		1,798							1,798
Off Hwy Vehicle Acct		4,460							4,460
Off-Highway Vehicle F		3,881							3,881
Off-Hwy Vehicle Acct		1,142							1,142

# Appendix A - Total Income By Fund FY08

Account Description	Investment Income	<-----Pool Distributions----->						MTRP	Total
		STIP	MDEP	MTIP	MPEP	RFBP	TFBP		
Oil & Gas Damage Miti		10,967							10,967
Oil & Gas ERA		561,138							561,138
Old State Fund	1,459,113	393,179							1,852,292
Older Montanans Trust		125,701					322,134		447,835
Organic Certification		1							1
Orphan Share Fund		330,749							330,749
OSM Trust Fund - Acid		8,121							8,121
OSM Trust Fund - Coal		68,403							68,403
Paddlefish Roe Accoun		1,920							1,920
Pegasus - Basin		4,576							4,576
Pegasus - Beal Mounta		8,417							8,417
Pegasus Bankruptcy/Op		25,565							25,565
Pegasus Reclamation/Z		13							13
Pegsaus Reclamation/Z		12							12
PERS - DB	7,949,298	3,205,804	16,149,859	16,760,585	7,918,244	57,381,647		5,327,216	114,692,653
PERS - DB Education		62,436							62,436
PERS - DC Administrat		32,794							32,794
PERS-DC Disability		31,835							31,835
PERS-DC Education		4,002							4,002
Pesticide Account		24,338							24,338
Pesticide Groundwater		29,788							29,788
Petroleum Storage Tan		13,238							13,238
Pine Hills School Tru		2,591							2,591
Potato Research & Mar		3,309							3,309
Produce Account		9,886							9,886
Pulse Crop Research&M		6,639							6,639
Rail Construction Tru		47,181							47,181
Real Estate Recovery		24,029							24,029
Real Estate Trust Ear		16,194							16,194
Real Property Trust		10,975					267,579		278,554
Real Property Trust-W		16,860					414,765		431,624
Reclamation - OSM Tru	248,754	56,240							304,994
Research & Commercial		147,526							147,526
Retirement Funds Bond Pool		2,345,063							2,345,063
RITT Income Fund		15,205					5,785,649		5,800,855
River Restoration Acc		32,300							32,300
Rural Develop & Rehab		8,070							8,070
Rural Physicians Acco		30,146							30,146
Search & Rescue		10,425							10,425
SEC 8 Project Based		62,922							62,922
Sec of St Business Se		153,650							153,650
Section 8 F44 Escrow		4,006							4,006
Seed Account		462							462
Seven-Up Pete Interes		2,607							2,607
Sheriffs Retirement A		196,507	788,931	797,864	375,605	2,880,941		259,154	5,299,002
Sigerson Fellwshp/Exh		3,254							3,254
Silver Bow Creek Rese		4,948					987,279		992,227
Snowmobile Reg		3,291							3,291
Snowmobile Registrati		4,381							4,381
Sobotka Expendable Tr		814							814
Sobotka Memorial Trus		-					5,292		5,292
Special Law Enforceme		26,003							26,003
SST/OU Remedial Actio	1,396,824	392,158					3,321,706		5,110,688
State Land Bank		3,004							3,004
State Lands Res Dev		51,156							51,156
State Lottery Fund		140,240							140,240
State Policemen Reser	929,512	173,747	822,089	838,281	397,326	2,985,886		267,190	6,414,031
State-Tribal Economic		358							358
Stewart Trust Fund		471					4,458		4,929
STIP Local Government		28,174,910							28,174,910
Subsequent Injuiy-Tr	57,142	2,272							59,414
Teachers Retirement	16,139,183	2,181,149	12,593,062	12,888,905	6,066,217	44,379,383		4,112,816	98,360,715
Thomas Teakle Trust F		608	1,931				7,286		9,825
Tobacco Hlth and Medi		2,498,093							2,498,093
Tobacco Settlement In		21,084					4,524,576		4,545,660
Treasure State Endowm		13,152							13,152
Trust And Legacy		128,925					25,159,580		25,288,505
Trust Funds Bond Pool		1,747,881							1,747,881
TSEF Income Fund	206,308	645,014					8,296,236		9,147,557

# Appendix A - Total Income By Fund FY08

Account Description	Investment Income	Pool Distributions						MTRP	Total
		STIP	MDEP	MTIP	MPEP	RFBP	TFBP		
TSEF Region Water Inc		205,364					1,969,566		2,174,930
U.S. Dept Ed / GSL Re		198,921							198,921
UCFRB Restoration Fun	291,490	396,500					8,454,244		9,142,234
UM-Forest Exper Stn U		1,525							1,525
UM-HCOT Agency		837							837
UM-HCOT Auxiliary Ent		1,483							1,483
UM-HCOT Endowments		985	175						1,160
UM-HCOT Renewal & Rep		2,232							2,232
UM-HCOT Unexpended Pl		23,026							23,026
UM-HCOT Unrestricted		38,391							38,391
UM-MSO Agency		1,014,266							1,014,266
UM-MSO Auxiliary Ente		273,391							273,391
UM-MSO Designated	140,469	46,946					128,166		315,581
UM-MSO Endowments		3,632	7,339				85,920		96,891
UM-MSO Renewal & Repl		383,882							383,882
UM-MSO Restricted		136,612							136,612
UM-MSO Student Loans		52,792							52,792
UM-MSO Unrestricted O		663,564					248,165		911,729
UM-TECH Agency		82,894					292		83,185
UM-TECH Auxiliary Ent		1,490							1,490
UM-TECH Designated		101,190							101,190
UM-TECH Renewal & Rep		42,651							42,651
UM-TECH Restricted		4,069					20,789		24,858
UM-TECH Student Loans		7,362	845				3,507		11,715
UM-TECH Unexpended Pl		61,795							61,795
UM-TECH Unrestricted		131,596							131,596
UM-Western Agency		41,592							41,592
UM-Western Aux Enterp		19,541							19,541
UM-Western Designated		3,307							3,307
UM-Western Endowments		74							74
UM-Western Renew & Re		8,984							8,984
UM-Western Retire of		1,700							1,700
UM-Western Student Lo		2,266							2,266
UM-Western Unexpended		6,719							6,719
UM-Wstern Unrestrict		69,782							69,782
Uninsured Employer Fu		135,026							135,026
Unlocated Mineral Own		37,340							37,340
Upland Game Bird Habi		130,295							130,295
Upland Game Bird Plan		86							86
VC National Park Srvc		156							156
Volunteer Firefighter	240,836	31,127	105,580	109,505	52,304	383,991		34,163	957,506
Warm Water Fish Stamp		38,506							38,506
Washington Gulch Bond		1,489							1,489
Water Adjudication		908,647							908,647
Water Storage St Sp R		32,919							32,919
Water Well Contractor		3,699							3,699
Waterfowl Stamp Spec.		42,663							42,663
Weed Seed Free Forage		40							40
Wheat & Barley Resear		102,638							102,638
Wildlife Habitat		666,527							666,527
Wildlife Mit Trust Fn		15,811							15,811
Wildlife Mitigation T	501,352	97,986							599,338
Woodville Hill Abando		1,901							1,901
Yellowstone Groundwat		1,223							1,223
Z/L Long Term H2O Tru	211,136	1,129							212,266
Zortman Recl-Last (1,		19,027							19,027
Zortman/Landusky Long	548,474	3,081							551,555
<b>GROSS INCOME</b>	<b>92,667,562</b>	<b>99,695,491</b>	<b>32,208,577</b>	<b>33,170,641</b>	<b>15,651,605</b>	<b>114,356,724</b>	<b>83,411,593</b>	<b>10,570,605</b>	<b>481,732,798</b>
<b>LESS ADMIN EXPENSE*</b>	<b>(213,813)</b>	<b>(43,839)</b>	<b>(10,332,861)</b>	<b>(7,701,611)</b>	<b>(14,002,388)</b>	<b>(526,977)</b>		<b>(6,508,967)</b>	<b>(39,330,456)</b>
<b>SUBTOTAL</b>	<b>92,453,749</b>	<b>99,651,652</b>	<b>21,875,716</b>	<b>25,469,030</b>	<b>1,649,217</b>	<b>113,829,747</b>	<b>83,411,593</b>	<b>4,061,638</b>	<b>442,402,342</b>
<b>LESS RFBP STIP INCOME</b>		<b>(2,345,063)</b>							<b>(2,345,063)</b>
<b>LESS TFBP STIP INCOME</b>		<b>(1,747,881)</b>							<b>(1,747,881)</b>
<b>LESS MTRP STIP INCOME</b>		<b>(955,871)</b>							<b>(955,871)</b>
<b>NET INCOME</b>	<b>92,453,749</b>	<b>94,602,837</b>	<b>21,875,716</b>	<b>25,469,030</b>	<b>1,649,217</b>	<b>113,829,747</b>	<b>83,411,593</b>	<b>4,061,638</b>	<b>437,353,527</b>

# APPENDIX A - Securities Listings By Portfolios As Of June 30, 2008

<u>Fund</u>	<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par/Shares</u>	<u>Book Value</u>	<u>Fair Value</u>
Treasurer's Fund	US BANK SWEEP REPO	2.000000	7/1/2008	12,123,446	12,123,446	12,123,446
	<b>TOTAL CASH EQUIVALENT</b>			<b>12,123,446</b>	<b>12,123,446</b>	<b>12,123,446</b>
Treasurer's Fund	FEDERAL HOME LN MTG CORP	4.625000	8/15/2008	10,000,000	9,998,184	10,029,893
Treasurer's Fund	FEDERAL HOME LN BKS	4.250000	9/12/2008	10,000,000	9,990,120	10,039,075
Treasurer's Fund	FEDERAL HOME LN BKS CONS	4.750000	12/12/2008	10,000,000	9,990,313	10,097,043
Treasurer's Fund	FEDERAL HOME LN BKS	4.750000	3/13/2009	10,000,000	9,974,382	10,136,451
Treasurer's Fund	FEDERAL HOME LN BKS	5.250000	6/12/2009	10,000,000	9,985,330	10,222,083
Treasurer's Fund	FEDERAL HOME LOAN BANKS	5.250000	9/11/2009	10,000,000	10,020,114	10,266,118
Treasurer's Fund	FEDERAL HOME LN ASSOC	5.000000	10/16/2009	10,000,000	9,986,994	10,066,769
Treasurer's Fund	FEDERAL NATL MTG ASSN	3.875000	11/17/2008	10,000,000	9,967,588	10,044,630
Treasurer's Fund	FEDERAL NATL MTG ASSN	4.500000	8/15/2008	10,000,000	10,000,000	10,028,348
Treasurer's Fund	FEDERAL NATL MTG ASSN MTN	4.300000	3/9/2009	10,000,000	9,935,454	10,104,196
Treasurer's Fund	FEDERAL NATL MTG ASSN	4.500000	7/27/2009	10,000,000	9,905,544	10,177,850
	<b>US GOVERNMENT AGENCY</b>			<b>110,000,000</b>	<b>109,754,022</b>	<b>111,212,456</b>
	<b>TOTAL FIXED INCOME</b>			<b>110,000,000</b>	<b>109,754,022</b>	<b>111,212,456</b>
Treasurer's Fund	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	818,868,548	818,868,548	818,868,548
	<b>TREASURER'S FUND TOTAL</b>			<b>940,991,994</b>	<b>940,746,015</b>	<b>942,204,450</b>
Abandoned Mine	AMERICAN GEN FIN CORP MTN	4.875000	5/15/2010	200,000	199,990	193,057
Abandoned Mine	CIT GROUP INC	5.200000	11/3/2010	200,000	200,000	171,000
Abandoned Mine	GENERAL ELEC CAP CORP MTN	5.000000	4/10/2012	150,000	149,398	150,547
Abandoned Mine	GENWORTH FINL INC	5.650000	6/15/2012	200,000	199,653	190,202
Abandoned Mine	GOLDMAN SACHS GROUP	5.300000	2/14/2012	250,000	249,850	248,033
Abandoned Mine	HERSHEY FOODS CORP	5.300000	9/1/2011	300,000	299,628	305,317
Abandoned Mine	HOUSEHOLD FIN CORP	4.750000	5/15/2009	200,000	199,970	200,839
Abandoned Mine	LEHMAN BROTHERS HLDGS INC	5.000000	1/14/2011	200,000	199,553	192,449
Abandoned Mine	MORGAN STANLEY	5.050000	1/21/2011	250,000	249,673	243,918
Abandoned Mine	PROTECTIVE LIFE SECD TRS SECD	5.450000	9/28/2012	200,000	199,611	198,931
Abandoned Mine	VERIZON NEW JERSEY INC	5.875000	1/17/2012	250,000	254,764	250,261
Abandoned Mine	WELLS FARGO CO NEW	5.300000	8/26/2011	300,000	299,665	303,090
	<b>CORPORATE BONDS (RATED)</b>			<b>2,700,000</b>	<b>2,701,753</b>	<b>2,647,644</b>
Abandoned Mine	FEDERAL FARM CREDIT BANK	3.400000	2/7/2013	500,000	500,000	483,158
Abandoned Mine	FEDERAL HOME LOAN BANK	4.875000	11/18/2011	500,000	499,296	516,986
Abandoned Mine	FEDERAL HOME LOAN BKS	4.875000	6/8/2012	500,000	496,360	515,253
Abandoned Mine	FEDERAL HOME LN MTG CORP	3.625000	9/15/2008	200,000	200,030	200,436
Abandoned Mine	FEDERAL NATL MTG ASSN	4.500000	8/15/2008	300,000	300,000	300,850
Abandoned Mine	FEDERAL NATL MTG ASSN	3.875000	7/12/2013	500,000	492,165	492,909
	<b>US GOVERNMENT AGENCY</b>			<b>2,500,000</b>	<b>2,487,851</b>	<b>2,509,593</b>
	<b>TOTAL FIXED INCOME</b>			<b>5,200,000</b>	<b>5,189,603</b>	<b>5,157,238</b>
Abandoned Mine	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	176,592	176,592	176,592
	<b>ABANDONED MINE TOTAL</b>			<b>5,376,592</b>	<b>5,366,196</b>	<b>5,333,830</b>
FWP Mitigation	AMERICAN GEN FIN CORP MTN	4.875000	5/15/2010	500,000	499,974	482,643
FWP Mitigation	CIT GROUP INC	5.200000	11/3/2010	500,000	500,000	427,500
FWP Mitigation	GENERAL ELEC CAP CORP MTN	5.000000	4/10/2012	400,000	398,394	401,459
FWP Mitigation	GENWORTH FINL INC	5.650000	6/15/2012	400,000	399,305	380,404
FWP Mitigation	GOLDMAN SACHS GROUP	5.300000	2/14/2012	500,000	499,699	496,066
FWP Mitigation	HERSHEY FOODS CORP	5.300000	9/1/2011	500,000	499,380	508,862
FWP Mitigation	HOUSEHOLD FIN CORP	4.750000	5/15/2009	500,000	499,925	502,097
FWP Mitigation	LEHMAN BROTHERS HLDGS INC	5.000000	1/14/2011	500,000	498,883	481,123
FWP Mitigation	MORGAN STANLEY	5.050000	1/21/2011	500,000	499,345	487,835
FWP Mitigation	PROTECTIVE LIFE SECD TRS SECD	5.450000	9/28/2012	400,000	399,222	397,861
FWP Mitigation	VERIZON NEW JERSEY INC	5.875000	1/17/2012	500,000	509,528	500,523
FWP Mitigation	WELLS FARGO CO NEW	5.300000	8/26/2011	500,000	499,441	505,150
	<b>CORPORATE BONDS (RATED)</b>			<b>5,700,000</b>	<b>5,703,096</b>	<b>5,571,524</b>
FWP Mitigation	FEDERAL FARM CREDIT BANK	3.400000	2/7/2013	1,000,000	1,000,000	966,317
FWP Mitigation	FEDERAL HOME LOAN BANK	4.875000	11/18/2011	1,000,000	998,591	1,033,971
FWP Mitigation	FEDERAL HOME LOAN BKS	4.875000	6/8/2012	1,000,000	992,720	1,030,507
FWP Mitigation	FEDERAL HOME LN MTG CORP	3.625000	9/15/2008	500,000	500,076	501,091
FWP Mitigation	FEDERAL NATL MTG ASSN	4.500000	8/15/2008	500,000	500,000	501,417
FWP Mitigation	FEDERAL NATL MTG ASSN	3.875000	7/12/2013	1,000,000	984,329	985,819
	<b>US GOVERNMENT AGENCY</b>			<b>5,000,000</b>	<b>4,975,717</b>	<b>5,019,121</b>
	<b>TOTAL FIXED INCOME</b>			<b>10,700,000</b>	<b>10,678,812</b>	<b>10,590,645</b>
FWP Mitigation	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	1,340,013	1,340,013	1,340,013
	<b>FWP MITIGATION TOTAL</b>			<b>12,040,013</b>	<b>12,018,825</b>	<b>11,930,658</b>
Montana Pole	CIT GROUP INC	5.200000	11/3/2010	150,000	150,000	128,250
Montana Pole	GENERAL ELEC CAP CORP MTN	5.000000	4/10/2012	800,000	796,788	802,918

# **APPENDIX A - Securities Listings By Portfolios As Of June 30, 2008**

<u>Fund</u>	<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par/Shares</u>	<u>Book Value</u>	<u>Fair Value</u>
	<i><b>CORPORATE BONDS (RATED)</b></i>			<i><b>950,000</b></i>	<i><b>946,788</b></i>	<i><b>931,168</b></i>
Montana Pole	FEDERAL NATL MTG ASSN	4.500000	8/15/2008	500,000	500,000	501,417
	<i><b>US GOVERNMENT AGENCY</b></i>			<i><b>500,000</b></i>	<i><b>500,000</b></i>	<i><b>501,417</b></i>
Montana Pole	FNMA POOL 313999	6.000000	2/1/2013	100,047	99,818	102,642
	<i><b>US GOVERNMENT DIRECT OBLIGATIONS</b></i>			<i><b>100,047</b></i>	<i><b>99,818</b></i>	<i><b>102,642</b></i>
Montana Pole	TRUST FUNDS BOND POOL	0.000000	12/31/2009	23,723,319	23,298,399	23,012,258
	<i><b>TOTAL FIXED INCOME</b></i>			<i><b>25,273,366</b></i>	<i><b>24,845,004</b></i>	<i><b>24,547,486</b></i>
Montana Pole	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	5,090,000	5,090,000	5,090,000
<b>MONTANA POLE TOTAL</b>				<b>30,363,366</b>	<b>29,935,004</b>	<b>29,637,486</b>
FWP License Account	GENERAL ELEC CAP CORP MTN	5.000000	4/10/2012	600,000	597,591	602,188
FWP License Account	PROTECTIVE LIFE SECD TRS SECD	5.450000	9/28/2012	400,000	399,222	397,861
	<i><b>CORPORATE BONDS (RATED)</b></i>			<i><b>1,000,000</b></i>	<i><b>996,812</b></i>	<i><b>1,000,050</b></i>
FWP License Account	FEDERAL FARM CREDIT BANK	3.400000	2/7/2013	3,000,000	3,000,000	2,898,950
FWP License Account	FEDERAL HOME LOAN BKS	4.875000	6/8/2012	500,000	496,360	515,253
FWP License Account	FEDERAL HOME LN BKS	3.125000	6/10/2011	2,000,000	1,947,795	1,967,516
FWP License Account	FEDERAL NATL MTG ASSN	4.500000	8/15/2008	500,000	500,000	501,417
FWP License Account	FEDERAL NATL MTG ASSN	3.875000	7/12/2013	3,500,000	3,445,152	3,450,365
	<i><b>US GOVERNMENT AGENCY</b></i>			<i><b>9,500,000</b></i>	<i><b>9,389,307</b></i>	<i><b>9,333,503</b></i>
	<i><b>TOTAL FIXED INCOME</b></i>			<i><b>10,500,000</b></i>	<i><b>10,386,119</b></i>	<i><b>10,333,552</b></i>
FWP License Account	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	22,140,076	22,140,076	22,140,076
<b>FWP LICENSE ACCOUNT TOTAL</b>				<b>32,640,076</b>	<b>32,526,195</b>	<b>32,473,628</b>
Streamside Tailings	AA / FT WORTH HQ FIN TR	5.500000	10/5/2010	1,176,752	1,176,752	1,234,001
Streamside Tailings	COMM MTG TR	5.540000	6/10/2046	1,636,102	1,637,349	1,649,494
Streamside Tailings	J P MORGAN CHASE COML MTG SECS	4.200000	7/12/2035	2,004,265	2,012,573	1,980,495
	<i><b>CORPORATE BONDS (RATED)</b></i>			<i><b>4,817,118</b></i>	<i><b>4,826,674</b></i>	<i><b>4,863,990</b></i>
Streamside Tailings	ENSCO OFFSHORE CO	6.360000	12/1/2015	2,500,132	2,500,132	2,653,115
	<i><b>US GOVERNMENT AGENCY</b></i>			<i><b>2,500,132</b></i>	<i><b>2,500,132</b></i>	<i><b>2,653,115</b></i>
Streamside Tailings	FED HM LN PC POOL E00659	6.000000	4/1/2014	278,400	278,286	285,932
Streamside Tailings	FNMA POOL 254233	5.000000	3/1/2017	1,228,361	1,202,336	1,231,567
	<i><b>US GOVERNMENT DIRECT OBLIGATIONS</b></i>			<i><b>1,506,761</b></i>	<i><b>1,480,622</b></i>	<i><b>1,517,499</b></i>
Streamside Tailings	TRUST FUNDS BOND POOL	0.000000	12/31/2009	61,356,697	59,997,992	59,517,649
	<i><b>TOTAL FIXED INCOME</b></i>			<i><b>70,180,708</b></i>	<i><b>68,805,419</b></i>	<i><b>68,552,252</b></i>
Streamside Tailings	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	13,920,000	13,920,000	13,920,000
<b>STREAMSIDE TAILINGS TOTAL</b>				<b>84,100,708</b>	<b>82,725,419</b>	<b>82,472,252</b>
Older Montana's	TRUST FUNDS BOND POOL	1.000000	12/31/2009	7,960,018	7,799,874	7,721,432
	<i><b>TOTAL FIXED INCOME</b></i>			<i><b>7,960,018</b></i>	<i><b>7,799,874</b></i>	<i><b>7,721,432</b></i>
Older Montana's	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	339,253	339,253	339,253
<b>OLDER MONTANAN'S TOTAL</b>				<b>8,299,271</b>	<b>8,139,126</b>	<b>8,060,684</b>
Endowment for Children	TRUST FUNDS BOND POOL	1.000000	12/31/2009	1,022,308	999,864	991,666
	<i><b>TOTAL FIXED INCOME</b></i>			<i><b>1,022,308</b></i>	<i><b>999,864</b></i>	<i><b>991,666</b></i>
Endowment for Children	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	54,758	54,758	54,758
<b>ENDOWMENT FOR CHILDREN TOTAL</b>				<b>1,077,067</b>	<b>1,054,623</b>	<b>1,046,425</b>
UCFRB Restoration	J P MORGAN CHASE COML MTG SECS	4.200000	7/12/2035	2,004,265	2,012,573	1,980,495
	<i><b>CORPORATE BONDS (RATED)</b></i>			<i><b>2,004,265</b></i>	<i><b>2,012,573</b></i>	<i><b>1,980,495</b></i>
UCFRB Restoration	ENSCO OFFSHORE CO	6.360000	12/1/2015	2,500,132	2,500,132	2,653,115
	<i><b>US GOVERNMENT AGENCY</b></i>			<i><b>2,500,132</b></i>	<i><b>2,500,132</b></i>	<i><b>2,653,115</b></i>
UCFRB Restoration	TRUST FUNDS BOND POOL	0.000000	12/31/2009	155,084,713	150,497,221	150,436,349
	<i><b>TOTAL FIXED INCOME</b></i>			<i><b>159,589,110</b></i>	<i><b>155,009,926</b></i>	<i><b>155,069,959</b></i>
UCFRB Restoration	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	8,970,736	8,970,736	8,970,736
<b>UCFRB RESTORATION TOTAL</b>				<b>168,559,845</b>	<b>163,980,662</b>	<b>164,040,695</b>
UCFRB Assess	TRUST FUNDS BOND POOL	0.000000	12/31/2009	18,002,660	17,575,321	17,463,065
	<i><b>TOTAL FIXED INCOME</b></i>			<i><b>18,002,660</b></i>	<i><b>17,575,321</b></i>	<i><b>17,463,065</b></i>
UCFRB Assess	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	482,889	482,889	482,889
<b>UCFRB ASSESS TOTAL</b>				<b>18,485,549</b>	<b>18,058,209</b>	<b>17,945,954</b>
State Fund Insurance	AA / FT WORTH HQ FIN TR	5.500000	10/5/2010	3,677,348	3,677,348	3,856,251
State Fund Insurance	ABBOTT LABS	3.500000	2/17/2009	10,000,000	9,993,330	10,014,185
State Fund Insurance	ALLSTATE LIFE GBL FDG SECD	5.375000	4/30/2013	4,000,000	3,996,136	3,971,893
State Fund Insurance	AMERICAN EXPRESS CO	5.500000	9/12/2016	5,000,000	4,979,134	4,721,178
State Fund Insurance	AMERICAN EXPRESS CO	7.000000	3/19/2018	3,000,000	2,988,837	3,110,207

# APPENDIX A - Securities Listings By Portfolios As Of June 30, 2008

<u>Fund</u>	<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par/Shares</u>	<u>Book Value</u>	<u>Fair Value</u>
State Fund Insurance	AMERICAN GEN FIN CORP MTN	4.875000	5/15/2010	4,000,000	3,999,791	3,861,143
State Fund Insurance	AMERICAN GEN FIN CORP MTN	5.900000	9/15/2012	4,000,000	3,980,518	3,759,802
State Fund Insurance	B J SERVICES	5.750000	6/1/2011	5,000,000	4,996,165	5,047,879
State Fund Insurance	BANC AMER COML MTG INC COML	5.381000	1/15/2049	5,000,000	5,018,088	4,907,411
State Fund Insurance	BANC AMER COML MTG TR	5.837671	6/10/2049	5,000,000	4,998,682	4,955,617
State Fund Insurance	BANC AMER COML MTG TR	5.546000	9/10/2012	5,000,000	5,022,564	4,919,963
State Fund Insurance	BANC AMER COML MTG TR	5.434000	12/10/2012	10,000,000	10,049,028	9,734,323
State Fund Insurance	BANC AMER COML MTG TR 2007 2	5.634000	4/10/2049	5,000,000	5,019,522	4,932,762
State Fund Insurance	BANK AMER CORP	3.375000	2/17/2009	5,000,000	4,996,715	4,977,858
State Fund Insurance	BANK AMER CORP	5.375000	6/15/2014	5,000,000	4,972,746	4,849,492
State Fund Insurance	BUNGE NA FINANCE LP	5.900000	4/1/2017	5,000,000	4,995,027	4,572,843
State Fund Insurance	BURLINGTON NORTHN SANTA FE RY	7.160000	1/2/2020	3,774,098	3,774,098	4,022,767
State Fund Insurance	CAPITAL ONE FINL CORP	6.750000	9/15/2017	5,000,000	4,975,126	4,453,221
State Fund Insurance	CIT GROUP EQUIP FING INC	6.490000	1/5/2021	5,853,187	5,853,187	5,322,013
State Fund Insurance	CIT GROUP INC	5.800000	7/28/2011	3,000,000	3,022,400	2,535,000
State Fund Insurance	CITIGROUP INC	6.000000	2/21/2012	5,000,000	4,999,326	5,074,318
State Fund Insurance	CITIGROUP INC	3.625000	2/9/2009	5,000,000	4,998,535	4,971,978
State Fund Insurance	CITIGROUP INC	5.500000	8/27/2012	5,000,000	5,008,973	4,928,461
State Fund Insurance	COMCAST CORP NEW	5.450000	11/15/2010	5,000,000	5,005,046	5,079,786
State Fund Insurance	COMM MTG TR	5.540000	6/10/2046	2,726,836	2,728,915	2,749,157
State Fund Insurance	CONOCOPHILLIPS CDA FDG CO I	5.625000	10/15/2016	6,000,000	5,999,602	6,075,670
State Fund Insurance	CONTINENTAL AIRLS	6.563000	8/15/2013	5,000,000	5,010,240	5,137,500
State Fund Insurance	CSX CORP	5.750000	3/15/2013	5,000,000	4,988,964	4,950,739
State Fund Insurance	CVS CAREMARK CORP	5.750000	6/1/2017	5,000,000	4,824,441	4,886,533
State Fund Insurance	DETROIT EDISON CO	5.200000	10/15/2012	5,000,000	4,970,277	5,044,700
State Fund Insurance	DONNELLEY R R + SONS CO	4.950000	4/1/2014	5,000,000	4,879,910	4,569,133
State Fund Insurance	ENTERGY ARK INC	4.500000	6/1/2010	3,000,000	2,994,910	2,918,552
State Fund Insurance	FIFTH THIRD BANCORP	5.450000	1/15/2017	5,000,000	4,985,159	3,961,996
State Fund Insurance	FIRST CHICAGO CORP	6.375000	1/30/2009	2,000,000	1,988,759	2,039,689
State Fund Insurance	FORTUNE BRANDS INC	5.375000	1/15/2016	3,000,000	2,984,910	2,778,888
State Fund Insurance	GALENA CDO I CAYMAN IS NO 1LTD	5.462500	1/11/2013	4,000,000	4,000,000	2,560,400
State Fund Insurance	GE COML MTG CORP TR	5.417000	12/10/2049	10,000,000	10,037,697	9,821,086
State Fund Insurance	GENERAL ELEC CAP CORP MTN	5.000000	4/10/2012	3,000,000	2,987,954	3,010,942
State Fund Insurance	GENERAL ELEC CAP CORP MTN	4.375000	11/21/2011	10,000,000	9,828,440	9,901,661
State Fund Insurance	GENERAL ELEC CO	5.250000	12/6/2017	5,000,000	5,011,429	4,861,290
State Fund Insurance	GENWORTH FINL INC	5.650000	6/15/2012	3,500,000	3,493,920	3,328,535
State Fund Insurance	GOLDMAN SACHS GROUP	5.300000	2/14/2012	4,000,000	3,997,595	3,968,532
State Fund Insurance	GOLDMAN SACHS GROUP INC	5.350000	1/15/2016	5,000,000	4,956,755	4,694,656
State Fund Insurance	GOLDMAN SACHS GROUP INC	3.875000	1/15/2009	5,000,000	5,006,141	4,999,934
State Fund Insurance	HARTFORD FINL SVCS GROUP INC	5.375000	3/15/2017	5,000,000	4,988,314	4,651,149
State Fund Insurance	HARTFORD FINL SVCS GROUP INC	6.300000	3/15/2018	5,000,000	5,005,132	4,934,246
State Fund Insurance	HSBC FIN CORP	5.500000	1/19/2016	5,000,000	5,006,817	4,781,853
State Fund Insurance	HSBC FIN CORP	5.900000	6/19/2012	4,000,000	3,992,132	4,036,288
State Fund Insurance	ING SEC LIFE INSTL FDG	4.250000	1/15/2010	3,000,000	2,997,978	2,978,919
State Fund Insurance	INTERNATIONAL LEASE FIN CORP	5.125000	11/1/2010	5,000,000	4,990,775	4,711,171
State Fund Insurance	INTL LEASE FIN CORP MTN	4.550000	10/15/2009	5,000,000	5,033,700	4,925,787
State Fund Insurance	J P MORGAN CHASE AND CO	3.500000	3/15/2009	10,000,000	9,991,639	9,965,738
State Fund Insurance	J P MORGAN CHASE COML MTG SECS	4.200000	7/12/2035	6,012,796	6,037,719	5,941,484
State Fund Insurance	JERSEY CENT PWR + LT CO	5.650000	6/1/2017	3,000,000	2,990,666	2,871,749
State Fund Insurance	JP MORGAN CHASE	5.279000	12/12/2043	4,183,683	4,189,109	4,195,942
State Fund Insurance	JPMORGAN CHASE + CO	4.750000	5/1/2013	4,000,000	3,987,764	3,858,938
State Fund Insurance	KCT INTERMODAL TRANSN CORP	6.884180	8/1/2018	2,974,133	2,974,133	3,197,981
State Fund Insurance	KEYBANK NATL ASSN CLEVELAND OH	5.500000	9/17/2012	5,000,000	4,999,413	4,544,708
State Fund Insurance	KEYBANK NATL ASSN MTN	5.450000	3/3/2016	5,000,000	4,999,080	3,917,562
State Fund Insurance	KRAFT FOODS INC	4.125000	11/12/2009	3,000,000	2,996,007	2,971,999
State Fund Insurance	LEHMAN BROTHERS HLDGS INC	2.778130	5/25/2010	5,000,000	5,000,000	4,667,823
State Fund Insurance	LEHMAN BROTHERS HLDGS INC	5.000000	1/14/2011	4,000,000	3,991,061	3,848,987
State Fund Insurance	MARATHON OIL CORP	5.900000	3/15/2018	5,000,000	4,984,072	4,915,351
State Fund Insurance	MARSH + MCLENNAN COS INC	7.125000	6/15/2009	3,000,000	2,999,289	3,034,142
State Fund Insurance	MCKESSON CORP NEW	5.250000	3/1/2013	3,000,000	2,990,187	2,934,463
State Fund Insurance	MERRILL LYNCH + CO INC	6.400000	8/28/2017	5,000,000	4,993,315	4,645,097
State Fund Insurance	MERRILL LYNCH + CO INC	4.125000	1/15/2009	5,000,000	4,999,682	4,965,482
State Fund Insurance	METLIFE INC	5.000000	11/24/2013	5,000,000	4,974,061	4,863,707
State Fund Insurance	MGIC INVT CORP	5.625000	9/15/2011	5,000,000	4,991,428	4,279,287
State Fund Insurance	ML CFC COML MTG TR	5.590000	9/12/2049	10,000,000	10,047,441	9,803,263
State Fund Insurance	MORGAN STANLEY	4.000000	1/15/2010	5,000,000	4,987,638	4,881,474
State Fund Insurance	MORGAN STANLEY	5.050000	1/21/2011	4,000,000	3,994,760	3,902,682
State Fund Insurance	NATIONWIDE FINL SVCS INC	6.250000	11/15/2011	5,000,000	5,138,561	5,099,622
State Fund Insurance	NATNL CITY BK CLEVELAND OH	5.250000	12/15/2016	5,000,000	4,996,071	3,700,000
State Fund Insurance	PANAMERICAN BEVERAGES INC	7.250000	7/1/2009	3,000,000	3,009,086	3,062,458
State Fund Insurance	PPL ENERGY SUPPLY LLC	6.500000	5/1/2018	3,000,000	2,990,130	2,918,025



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State Fund Insurance	PPL MONT LLC	8.903000	7/2/2020	3,502,441	3,502,441	3,809,263
State Fund Insurance	PRINCIPAL LIFE GLOBAL FDG MTN	5.125000	10/15/2013	5,000,000	4,996,113	4,859,803
State Fund Insurance	PROTECTIVE LIFE SECD TRS SECD	5.450000	9/28/2012	5,000,000	4,990,270	4,973,265
State Fund Insurance	PRUDENTIAL FINL INC	5.000000	3/15/2016	5,000,000	4,920,997	4,719,611
State Fund Insurance	SBC COMMUNICATIONS INC	5.300000	11/15/2010	5,000,000	4,994,848	5,102,506
State Fund Insurance	SCHERING PLOUGH CORP	6.000000	9/15/2017	5,000,000	4,977,479	4,963,722
State Fund Insurance	SLM CORP	4.500000	7/26/2010	5,000,000	4,994,213	4,600,000
State Fund Insurance	SOUTHWEST GAS CORP	8.375000	2/15/2011	4,000,000	3,998,396	4,204,806
State Fund Insurance	ST PAUL TRAVELERS COS INC	6.250000	6/20/2016	5,000,000	4,985,975	5,052,108
State Fund Insurance	UNION BK CALIF	5.950000	5/11/2016	5,000,000	5,003,359	4,586,334
State Fund Insurance	UNION PAC CORP	4.875000	1/15/2015	7,000,000	6,756,873	6,621,500
State Fund Insurance	UNITED PARCEL SVC INC	5.500000	1/15/2018	5,000,000	4,990,555	5,006,257
State Fund Insurance	VERIZON COMMUNICATIONS INC	5.550000	2/15/2016	5,000,000	4,969,458	4,898,644
State Fund Insurance	VERIZON NEW JERSEY INC	5.875000	1/17/2012	3,000,000	3,107,348	3,003,137
State Fund Insurance	WACHOVIA CORP NEW	5.625000	10/15/2016	5,000,000	4,984,087	4,548,316
State Fund Insurance	WASHINGTON MUT INC	4.200000	1/15/2010	5,000,000	4,997,674	4,400,000
State Fund Insurance	WELLPOINT INC	5.875000	6/15/2017	5,000,000	4,930,214	4,828,698
State Fund Insurance	WELLS FARGO + CO NEW	4.625000	4/15/2014	5,000,000	4,875,396	4,694,831
State Fund Insurance	WELLS FARGO CO NEW	5.300000	8/26/2011	9,000,000	8,992,809	9,092,694
State Fund Insurance	WESTERN PPTYS TR	7.200000	9/15/2008	1,000,000	998,770	1,004,149
State Fund Insurance	WILMINGTON TR CORP	8.500000	4/2/2018	2,000,000	2,000,000	2,103,879
State Fund Insurance	WYETH	5.500000	2/1/2014	5,000,000	4,994,594	5,039,706
State Fund Insurance	ZIONS BANCORPORATION	5.650000	5/15/2014	3,000,000	2,997,714	2,520,713
	<b>CORPORATE BONDS (RATED)</b>			<b>475,204,521</b>	<b>474,223,084</b>	<b>459,481,260</b>
State Fund Insurance	ARIA CDO II JERSEY NO 1 LTD	6.253380	10/10/2012	10,000,000	10,000,000	9,964,900
	<b>CORPORATE BONDS (UNRATED)</b>			<b>10,000,000</b>	<b>10,000,000</b>	<b>9,964,900</b>
State Fund Insurance	ENSCO OFFSHORE CO	6.360000	12/1/2015	2,500,132	2,500,132	2,653,115
State Fund Insurance	FED HOME LN MTG CORP MTN	5.125000	7/18/2018	5,000,000	5,000,000	4,988,916
State Fund Insurance	FREDDIE MAC	4.100000	1/28/2014	15,000,000	15,000,000	15,054,569
State Fund Insurance	FEDERAL HOME LN MTG CORP	5.050000	1/26/2015	10,000,000	9,979,095	10,240,482
State Fund Insurance	FEDERAL FARM CR BKS	4.450000	9/23/2013	7,000,000	6,825,445	7,053,392
State Fund Insurance	EDERAL FARM CR BKS	5.100000	4/12/2017	20,000,000	19,752,578	20,457,138
State Fund Insurance	FEDERAL FARM CREDIT BANK	3.400000	2/7/2013	10,000,000	10,000,000	9,663,167
State Fund Insurance	FEDERAL FARM CREDIT BANK	4.950000	3/12/2018	5,000,000	4,989,401	4,905,479
State Fund Insurance	FEDERAL HOME LN BKS	4.000000	12/19/2011	8,000,000	7,808,490	7,914,367
State Fund Insurance	FEDERAL HOME LN BKS	4.150000	6/25/2013	12,000,000	11,484,869	11,759,407
State Fund Insurance	FEDERAL HOME LN BKS	4.125000	8/13/2010	20,000,000	19,992,385	20,293,744
State Fund Insurance	FEDERAL HOME LN BKS	3.625000	11/14/2008	10,000,000	9,998,279	10,035,248
State Fund Insurance	FEDERAL HOME LN BKS	4.750000	9/11/2015	10,000,000	9,777,966	10,050,325
State Fund Insurance	FEDERAL HOME LN BANKS	4.750000	12/16/2016	15,000,000	14,873,688	15,111,312
State Fund Insurance	FEDERAL HOME LN BKS	5.125000	3/10/2017	10,000,000	10,083,645	10,414,751
State Fund Insurance	FEDERAL HOME LN MTG CORP	5.625000	3/15/2011	10,000,000	10,025,153	10,530,610
State Fund Insurance	FEDERAL HOME LN MTG CORP	6.000000	6/15/2011	15,000,000	14,996,072	15,979,496
State Fund Insurance	FEDERAL HOME LN MTG CORP	3.625000	9/15/2008	10,000,000	10,002,393	10,021,817
State Fund Insurance	FEDERAL NATL MTG ASSN	5.550000	2/16/2017	20,000,000	20,043,756	20,239,626
State Fund Insurance	FEDERAL NATL MTG ASSN	5.000000	4/26/2017	5,000,000	4,867,719	4,938,302
State Fund Insurance	FEDERAL NATL MTG ASSN	7.250000	1/15/2010	8,000,000	8,088,871	8,493,963
State Fund Insurance	FEDERAL NATL MTG ASSN	6.625000	11/15/2010	10,000,000	10,103,198	10,733,625
State Fund Insurance	FEDERAL NATL MTG ASSN	4.375000	7/17/2013	20,000,000	19,603,914	20,048,308
State Fund Insurance	FEDERAL NATL MTG ASSN	3.375000	12/15/2008	15,000,000	14,987,340	15,047,801
State Fund Insurance	FEDERAL NATL MTG ASSN	4.125000	4/15/2014	10,000,000	9,625,738	9,885,012
State Fund Insurance	FEDERAL HOME LN MTG CORP	5.000000	2/16/2017	10,000,000	9,898,642	10,204,766
State Fund Insurance	GLOBAL INDS LTD	7.710000	2/15/2025	3,400,000	3,400,000	3,361,920
State Fund Insurance	ROWAN COS INC	5.880000	3/15/2012	5,453,000	5,453,000	5,726,359
State Fund Insurance	UNITED STATES TREAS NTS	4.000000	2/15/2015	20,000,000	19,049,591	20,559,399
State Fund Insurance	UNITED STATES TREAS NTS	4.250000	11/15/2017	15,000,000	15,171,179	15,318,152
	<b>US GOVERNMENT AGENCY</b>			<b>336,353,132</b>	<b>333,382,539</b>	<b>341,684,566</b>
State Fund Insurance	FED HM LN PC POOL G10814	5.500000	5/1/2013	671,043	670,799	682,023
State Fund Insurance	FED HM LN PC POOL G13081	5.000000	4/1/2023	9,761,081	9,761,081	9,643,461
State Fund Insurance	FED HM LN PC POOL G18244	4.500000	2/1/2023	9,793,044	9,604,732	9,457,801
State Fund Insurance	FED HM LN PC POOL E00540	6.000000	3/1/2013	468,217	467,512	480,842
State Fund Insurance	FED HM LN PC POOL E00659	6.000000	4/1/2014	445,440	445,257	457,491
State Fund Insurance	FNMA POOL 190985	7.500000	8/1/2009	85,656	85,656	86,614
State Fund Insurance	FNMA POOL 254140	5.000000	1/1/2017	4,551,175	4,539,565	4,624,469
State Fund Insurance	FNMA POOL 254233	5.000000	3/1/2017	2,456,722	2,404,672	2,463,135
State Fund Insurance	FNMA POOL 254631	5.000000	2/1/2018	3,096,303	3,088,651	3,098,701
State Fund Insurance	FNMA POOL 303590	7.000000	11/1/2010	167,096	167,096	170,100
State Fund Insurance	FNMA POOL 572220	6.000000	3/1/2016	186,067	185,754	191,167
State Fund Insurance	FNMA POOL 592327	5.500000	6/1/2016	401,765	396,179	408,235
State Fund Insurance	FNMA POOL 844915	4.500000	11/1/2020	6,861,946	6,821,870	6,685,848
State Fund Insurance	FNMA POOL 888932	4.500000	11/1/2022	4,553,160	4,553,160	4,436,313

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State Fund Insurance	FNMA POOL 962078	4.500000	3/1/2023	9,831,355	9,774,219	9,503,697
	<b>US GOVERNMENT DIRECT OBLIGATIONS</b>			<b>53,330,069</b>	<b>52,966,201</b>	<b>52,389,897</b>
	<b>TOTAL FIXED INCOME</b>			<b>874,887,722</b>	<b>870,571,824</b>	<b>863,520,622</b>
State Fund Insurance	BGI EQUITY INDEX FUND B	0.000000		480,587	68,406,677	87,443,325
	<b>TOTAL EQUITY</b>			<b>480,587</b>	<b>68,406,677</b>	<b>87,443,325</b>
State Fund Insurance	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	17,566,677	17,566,677	17,566,677
<b>STATE FUND INSURANCE TOTAL</b>				<b>892,934,987</b>	<b>956,545,179</b>	<b>968,530,625</b>
Subsequent Injury	AMERICAN GEN FIN CORP MTN	4.875000	5/15/2010	100,000	99,995	96,529
Subsequent Injury	CIT GROUP INC	5.200000	11/3/2010	50,000	50,000	42,750
Subsequent Injury	GENERAL ELEC CAP CORP MTN	5.000000	4/10/2012	50,000	49,799	50,182
Subsequent Injury	GOLDMAN SACHS GROUP	5.300000	2/14/2012	50,000	49,970	49,607
Subsequent Injury	HOUSEHOLD FIN CORP	4.750000	5/15/2009	100,000	99,985	100,419
Subsequent Injury	LEHMAN BROTHERS HLDGS INC	5.000000	1/14/2011	100,000	99,777	96,225
Subsequent Injury	MORGAN STANLEY	5.050000	1/21/2011	75,000	74,902	73,175
	<b>CORPORATE BONDS (RATED)</b>			<b>525,000</b>	<b>524,427</b>	<b>508,887</b>
Subsequent Injury	FEDERAL HOME LN MTG CORP	3.625000	9/15/2008	100,000	100,015	100,218
	<b>US GOVERNMENT AGENCY</b>			<b>100,000</b>	<b>100,015</b>	<b>100,218</b>
	<b>TOTAL FIXED INCOME</b>			<b>625,000</b>	<b>624,442</b>	<b>609,105</b>
Subsequent Injury	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	110,986	110,986	110,986
<b>SUBSEQUENT INJURY TOTAL</b>				<b>735,986</b>	<b>735,428</b>	<b>720,091</b>
Old Fund Insurance	CIT GROUP INC	5.200000	11/3/2010	1,000,000	1,000,000	855,000
Old Fund Insurance	COMM MTG TR	5.540000	6/10/2046	2,181,469	2,183,132	2,199,326
Old Fund Insurance	J P MORGAN CHASE COML MTG	3.053000	1/15/2038	1,353,155	1,350,683	1,337,391
Old Fund Insurance	VERIZON NEW JERSEY INC	5.875000	1/17/2012	1,000,000	1,019,056	1,001,046
	<b>CORPORATE BONDS (RATED)</b>			<b>5,534,624</b>	<b>5,552,871</b>	<b>5,392,762</b>
Old Fund Insurance	FED HM LN PC POOL G10814	5.500000	5/1/2013	361,331	361,199	367,243
Old Fund Insurance	FED HM LN PC POOL G10173	6.000000	1/1/2009	17,188	17,183	17,616
Old Fund Insurance	FED HM LN PC POOL E00247	5.500000	10/1/2008	8,901	8,895	8,965
Old Fund Insurance	FED HM LN PC POOL E00540	6.000000	3/1/2013	156,072	155,837	160,281
Old Fund Insurance	FNMA POOL 313999	6.000000	2/1/2013	233,444	232,909	239,499
	<b>US GOVERNMENT DIRECT OBLIGATIONS</b>			<b>776,936</b>	<b>776,024</b>	<b>793,605</b>
Old Fund Insurance	FEDERAL HOME LN MTG CORP	3.625000	9/15/2008	3,000,000	3,000,456	3,006,545
Old Fund Insurance	FEDERAL NATL MTG ASSN	4.500000	8/15/2008	3,000,000	3,000,000	3,008,504
Old Fund Insurance	ROWAN COS INC	5.880000	3/15/2012	3,635,000	3,635,000	3,817,223
Old Fund Insurance	UNITED STATES TREAS NTS	3.875000	1/15/2009	2,619,260	2,630,159	2,703,364
	<b>US GOVERNMENT AGENCY</b>			<b>12,254,260</b>	<b>12,265,615</b>	<b>12,535,636</b>
	<b>TOTAL FIXED INCOME</b>			<b>18,565,820</b>	<b>18,594,510</b>	<b>18,722,003</b>
Old Fund Insurance	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	12,892,185	12,892,185	12,892,185
<b>OLD FUND INSURANCE TOTAL</b>				<b>31,458,005</b>	<b>31,486,695</b>	<b>31,614,188</b>
Zortman/Landusky	FEDERAL NATL MTG ASSN	0.010000	6/1/2017	14,600,000	8,342,600	9,625,196
	<b>US GOVERNMENT AGENCY</b>			<b>14,600,000</b>	<b>8,342,600</b>	<b>9,625,196</b>
	<b>TOTAL FIXED INCOME</b>			<b>14,600,000</b>	<b>8,342,600</b>	<b>9,625,196</b>
Zortman/Landusky	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	89,952	89,952	89,952
<b>ZORTMAN/LANDUSKY TOTAL</b>				<b>14,689,952</b>	<b>8,432,552</b>	<b>9,715,148</b>
Group Benefits	ALLSTATE LIFE GBL FDG SECD	5.375000	4/30/2013	1,000,000	999,034	992,973
Group Benefits	AMERICAN GEN FIN CORP MTN	5.900000	9/15/2012	1,000,000	995,129	939,950
Group Benefits	GENWORTH FINL INC	5.650000	6/15/2012	900,000	898,437	855,909
Group Benefits	HSBC FIN CORP	5.900000	6/19/2012	1,000,000	998,033	1,009,072
Group Benefits	JPMORGAN CHASE + CO	4.750000	5/1/2013	1,000,000	996,941	964,735
Group Benefits	PROTECTIVE LIFE SECD TRS SECD	5.450000	9/28/2012	1,000,000	998,054	994,653
	<b>CORPORATE BONDS (RATED)</b>			<b>5,900,000</b>	<b>5,885,628</b>	<b>5,757,292</b>
Group Benefits	FEDERAL FARM CREDIT BANK	3.400000	2/7/2013	4,500,000	4,500,000	4,348,425
Group Benefits	FEDERAL HOME LOAN BKS	4.875000	6/8/2012	2,900,000	2,878,889	2,988,469
Group Benefits	FEDERAL HOME LN BKS	3.125000	6/10/2011	3,000,000	2,921,692	2,951,274
Group Benefits	FEDERAL NATL MTG ASSN	3.875000	7/12/2013	5,000,000	4,921,646	4,929,094
	<b>US GOVERNMENT AGENCY</b>			<b>15,400,000</b>	<b>15,222,227</b>	<b>15,217,262</b>
	<b>TOTAL FIXED INCOME</b>			<b>21,300,000</b>	<b>21,107,855</b>	<b>20,974,555</b>
Group Benefits	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	23,353,103	23,353,103	23,353,103
<b>GROUP BENEFITS TOTAL</b>				<b>44,653,103</b>	<b>44,460,958</b>	<b>44,327,658</b>
Permanent Coal Trust	TRUST FUNDS BOND POOL	0.000000	12/31/2009	340,769,309	328,895,261	330,555,410
	<b>TOTAL FIXED INCOME</b>			<b>340,769,309</b>	<b>328,895,261</b>	<b>330,555,410</b>

# **APPENDIX A - Securities Listings By Portfolios As Of June 30, 2008**

<u>Fund</u>	<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par/Shares</u>	<u>Book Value</u>	<u>Fair Value</u>
Permanent Coal Trust	PERMANENT COAL TRUST	0.000000	12/31/2010	193,570,853	193,570,853	193,570,853
Permanent Coal Trust	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	9,161,840	9,161,840	9,161,840
Permanent Fund Inc.	SHORT TERM INVESTMENT POOL			2,459,402	2,459,402	2,459,402
CST Bond Fund	SHORT TERM INVESTMENT POOL			4,156,005	4,156,005	4,156,005
<b>PERMANENT COAL TRUST TOTAL</b>				<b>550,117,409</b>	<b>538,243,361</b>	<b>539,903,510</b>
FWP Real Property	TRUST FUNDS BOND POOL	1.000000	12/31/2009	4,951,369	4,978,884	4,802,961
	<b>TOTAL FIXED INCOME</b>			<b>4,951,369</b>	<b>4,978,884</b>	<b>4,802,961</b>
FWP Real Property	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	266,526	266,526	266,526
<b>FWP REAL PROPERTY TOTAL</b>				<b>5,217,895</b>	<b>5,245,411</b>	<b>5,069,487</b>
Resource Indemnity	TRUST FUNDS BOND POOL	0.000000	12/31/2009	104,735,000	99,999,976	101,595,772
	<b>TOTAL FIXED INCOME</b>			<b>104,735,000</b>	<b>99,999,976</b>	<b>101,595,772</b>
Resource Indemnity	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	23,133	23,133	23,133
<b>RESOURCE INDEMNITY TOTAL</b>				<b>104,758,133</b>	<b>100,023,109</b>	<b>101,618,905</b>
Coal Tax Park Acquisition	TRUST FUNDS BOND POOL	0.000000	12/31/2009	18,829,985	18,435,586	18,265,593
	<b>TOTAL FIXED INCOME</b>			<b>18,829,985</b>	<b>18,435,586</b>	<b>18,265,593</b>
Coal Tax Park Acquisition	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	132,869	132,869	132,869
<b>COAL TAX PARK ACQUISITION TOTAL</b>				<b>18,962,854</b>	<b>18,568,455</b>	<b>18,398,462</b>
Wildlife Habitat	TRUST FUNDS BOND POOL	1.000000	12/31/2009	7,818,396	7,844,265	7,584,054
	<b>TOTAL FIXED INCOME</b>			<b>7,818,396</b>	<b>7,844,265</b>	<b>7,584,054</b>
Wildlife Habitat	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	418,658	418,658	418,658
<b>WILDLIFE HABITAT TOTAL</b>				<b>8,237,053</b>	<b>8,262,922</b>	<b>8,002,712</b>
Trust and Legacy	TRUST FUNDS BOND POOL	0.000000	12/31/2009	456,347,572	439,153,456	442,669,439
	<b>TOTAL FIXED INCOME</b>			<b>456,347,572</b>	<b>439,153,456</b>	<b>442,669,439</b>
Trust and Legacy	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	1,000,000	1,000,000	1,000,000
<b>TRUST AND LEGACY TOTAL</b>				<b>457,347,572</b>	<b>440,153,456</b>	<b>443,669,439</b>
Weed Control	AMERICAN GEN FIN CORP MTN	4.875000	5/15/2010	200,000	199,990	193,057
Weed Control	CIT GROUP INC	5.200000	11/3/2010	100,000	100,000	85,500
Weed Control	GOLDMAN SACHS GROUP	5.300000	2/14/2012	200,000	199,880	198,427
Weed Control	HERSHEY FOODS CORP	5.300000	9/1/2011	200,000	199,752	203,545
Weed Control	HOUSEHOLD FIN CORP	4.750000	5/15/2009	200,000	199,970	200,839
Weed Control	LEHMAN BROTHERS HLDGS INC	5.000000	1/14/2011	200,000	199,553	192,449
Weed Control	MORGAN STANLEY	5.050000	1/21/2011	175,000	174,771	170,742
Weed Control	VERIZON NEW JERSEY INC	5.875000	1/17/2012	250,000	254,764	250,261
Weed Control	WELLS FARGO CO NEW	5.300000	8/26/2011	200,000	199,776	202,060
	<b>CORPORATE BONDS (RATED)</b>			<b>1,725,000</b>	<b>1,728,456</b>	<b>1,696,880</b>
Weed Control	FEDERAL HOME LOAN BANK	4.875000	11/18/2011	400,000	399,436	413,588
Weed Control	FEDERAL HOME LN MTG CORP	3.625000	9/15/2008	200,000	200,030	200,436
Weed Control	FEDERAL NATL MTG ASSN	4.500000	8/15/2008	200,000	200,000	200,567
	<b>US GOVERNMENT AGENCY</b>			<b>800,000</b>	<b>799,467</b>	<b>814,592</b>
Weed Control	TRUST FUNDS BOND POOL	1.000000	12/31/2009	7,433,810	7,224,783	7,210,996
	<b>TOTAL FIXED INCOME</b>			<b>9,958,810</b>	<b>9,752,705</b>	<b>9,722,468</b>
Weed Control	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	217,076	217,076	217,076
<b>WEED CONTROL TOTAL</b>				<b>10,175,886</b>	<b>9,969,781</b>	<b>9,939,544</b>
Tobacco Trust	TRUST FUNDS BOND POOL	1.000000	12/31/2009	93,414,495	92,757,772	90,614,577
	<b>TOTAL FIXED INCOME</b>			<b>93,414,495</b>	<b>92,757,772</b>	<b>90,614,577</b>
Tobacco Trust	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	536,632	536,632	536,632
<b>TOBACCO TRUST TOTAL</b>				<b>93,951,127</b>	<b>93,294,404</b>	<b>91,151,209</b>
Coal Tax Cultural Trust	TRUST FUNDS BOND POOL	0.000000	12/31/2009	10,562,150	10,404,349	10,245,570
	<b>TOTAL FIXED INCOME</b>			<b>10,562,150</b>	<b>10,404,349</b>	<b>10,245,570</b>
Coal Tax Cultural Trust	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	189,972	189,972	189,972
<b>COAL TAX CULTURAL TRUST TOTAL</b>				<b>10,752,122</b>	<b>10,594,321</b>	<b>10,435,542</b>
Treasure State Reg Water	TRUST FUNDS BOND POOL	0.000000	12/31/2009	38,631,375	38,246,879	37,473,475
	<b>TOTAL FIXED INCOME</b>			<b>38,631,375</b>	<b>38,246,879</b>	<b>37,473,475</b>
Treasure State Reg Water	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	318,802	318,802	318,802
<b>TREASURE STATE WATER TOTAL</b>				<b>38,950,178</b>	<b>38,565,681</b>	<b>37,792,277</b>

# **APPENDIX A - Securities Listings By Portfolios As Of June 30, 2008**

<u>Fund</u>	<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par/Shares</u>	<u>Book Value</u>	<u>Fair Value</u>
Treasure State Endowment	TRUST FUNDS BOND POOL	0.000000	12/31/2009	157,528,666	156,152,300	152,807,049
	<b>TOTAL FIXED INCOME</b>			<b>157,528,666</b>	<b>156,152,300</b>	<b>152,807,049</b>
Treasure State Endowment	PERMANENT COAL TRUST	0.000000	12/31/2010	2,115,350	2,115,350	2,115,350
Treasure State Endowment	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	528,208	528,208	528,208
<b>TREASURE STATE ENDOWMENT TOTAL</b>				<b>160,172,223</b>	<b>158,795,858</b>	<b>155,450,607</b>
Big Sky Economic Develop	TRUST FUNDS BOND POOL	1.000000	12/31/2009	34,462,072	34,469,091	33,429,139
	<b>TOTAL FIXED INCOME</b>			<b>34,462,072</b>	<b>34,469,091</b>	<b>33,429,139</b>
Big Sky Economic Develop	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	304,672	304,672	304,672
<b>BIG SKY ECONOMIC DEVELOPMENT TOTAL</b>				<b>34,766,745</b>	<b>34,773,763</b>	<b>33,733,811</b>
Zortman/Landusky LT H20	UNITED STATES TRES SC STRP INT US GOVERNMENT AGENCY	0.000000	11/15/2017	6,300,000	3,938,443	4,208,967
	<b>TOTAL FIXED INCOME</b>			<b>6,300,000</b>	<b>3,938,443</b>	<b>4,208,967</b>
Zortman/Landusky LT H20	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	43,302	43,302	43,302
<b>ZORTMAN/LANDUSKY LT H20 TOTAL</b>				<b>6,343,302</b>	<b>3,981,745</b>	<b>4,252,269</b>
Public Employees' Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	983,177,607	1,000,295,210	988,124,279
	<b>TOTAL FIXED INCOME</b>			<b>983,177,607</b>	<b>1,000,295,210</b>	<b>988,124,279</b>
Public Employees' Retirement	BOZEMAN PROPERTY	0.000000	12/31/2010	1,036,944	1,036,944	1,061,827
Public Employees' Retirement	CALIFORNIA STREET PROP	0.000000	12/31/2010	102,796	102,796	110,000
Public Employees' Retirement	MT COLONIAL DRIVE	0.000000	12/31/2010	3,617,971	3,617,971	3,888,175
Public Employees' Retirement	NINTH AVENUE	0.000000	12/31/2010	514,749	514,749	579,626
Public Employees' Retirement	NORTH PARK AVENUE	0.000000	12/31/2010	3,467,192	3,467,192	3,291,430
Public Employees' Retirement	<b>DIRECT REAL ESTATE</b>			<b>8,739,651</b>	<b>8,739,651</b>	<b>8,931,057</b>
	<b>REAL ESTATE TOTAL</b>			<b>10,307,876</b>	<b>168,367,651</b>	<b>173,598,317</b>
Public Employees' Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		2,067,959	237,479,330	376,614,837
	<b>PRIVATE EQUITY</b>			<b>2,067,959</b>	<b>237,479,330</b>	<b>376,614,837</b>
Public Employees' Retirement	MONTANA INTERNATIONAL POOL	0.000000		4,152,606	406,553,000	730,360,282
Public Employees' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		10,542,411	705,844,642	1,494,306,280
Public Employees' Retirement	<b>STOCK TOTAL</b>			<b>14,695,016</b>	<b>1,112,397,642</b>	<b>2,224,666,563</b>
	<b>TOTAL EQUITY</b>			<b>27,070,852</b>	<b>1,518,244,622</b>	<b>2,774,879,716</b>
Public Employees' Retirement	MONTANA ST	0.000000	12/31/2010	32,239,286	32,239,286	31,837,233
	<b>TOTAL MORTGAGES/LOANS</b>			<b>32,239,286</b>	<b>32,239,286</b>	<b>31,837,233</b>
Public Employees' Retirement	MONOGENESIS CORP	0.000000		1	-	-
Public Employees' Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	46,126,070	46,126,070	46,126,070
<b>PUBLIC EMPLOYEES' RETIREMENT TOTAL</b>				<b>1,088,613,816</b>	<b>2,596,905,188</b>	<b>3,840,967,298</b>
Police Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	50,981,212	52,023,150	51,237,715
	<b>TOTAL FIXED INCOME</b>			<b>50,981,212</b>	<b>52,023,150</b>	<b>51,237,715</b>
Police Retirement	MONTANA REAL ESTATE POOL	0.000000		78,798	8,022,000	8,273,928
	<b>REAL ESTATE TOTAL</b>			<b>78,798</b>	<b>8,022,000</b>	<b>8,273,928</b>
Police Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		104,320	12,085,901	18,998,647
	<b>PRIVATE EQUITY</b>			<b>104,320</b>	<b>12,085,901</b>	<b>18,998,647</b>
Police Retirement	MONTANA INTERNATIONAL POOL	0.000000		208,704	21,383,650	36,706,816
Police Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		531,097	43,690,926	75,278,940
Police Retirement	<b>STOCK TOTAL</b>			<b>739,801</b>	<b>65,074,576</b>	<b>111,985,756</b>
	<b>TOTAL EQUITY</b>			<b>922,918</b>	<b>85,182,477</b>	<b>139,258,331</b>
Police Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	93,636	93,636	93,636
<b>POLICE RETIREMENT TOTAL</b>				<b>51,997,767</b>	<b>137,299,263</b>	<b>190,589,682</b>
Game Wardens' Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	19,146,277	19,718,743	19,242,608
	<b>TOTAL FIXED INCOME</b>			<b>19,146,277</b>	<b>19,718,743</b>	<b>19,242,608</b>
Game Wardens' Retirement	MONTANA REAL ESTATE POOL	0.000000		29,664	3,024,000	3,114,822
	<b>REAL ESTATE TOTAL</b>			<b>29,664</b>	<b>3,024,000</b>	<b>3,114,822</b>
Game Wardens' Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		38,480	4,701,885	7,007,904
	<b>PRIVATE EQUITY</b>			<b>38,480</b>	<b>4,701,885</b>	<b>7,007,904</b>
Game Wardens' Retirement	MONTANA INTERNATIONAL POOL	0.000000		77,015	8,466,561	13,545,321
Game Wardens' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		199,458	17,274,843	28,271,704
Game Wardens' Retirement	<b>STOCK TOTAL</b>			<b>276,473</b>	<b>25,741,405</b>	<b>41,817,025</b>
	<b>TOTAL EQUITY</b>			<b>344,617</b>	<b>33,467,290</b>	<b>51,939,751</b>
Game Wardens' Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	1,942,173	1,942,173	1,942,173
<b>GAME WARDENS' RETIREMENT TOTAL</b>				<b>21,433,068</b>	<b>55,128,207</b>	<b>73,124,533</b>

# APPENDIX A - Securities Listings By Portfolios As Of June 30, 2008

<u>Fund</u>	<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par/Shares</u>	<u>Book Value</u>	<u>Fair Value</u>
Sheriffs' Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	49,812,846	50,685,901	50,063,470
	<b>TOTAL FIXED INCOME</b>			<b>49,812,846</b>	<b>50,685,901</b>	<b>50,063,470</b>
Sheriffs' Retirement	MONTANA REAL ESTATE POOL	0.000000		76,702	7,812,000	8,053,901
	<b>REAL ESTATE TOTAL</b>			<b>76,702</b>	<b>7,812,000</b>	<b>8,053,901</b>
Sheriffs' Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		100,322	11,664,194	18,270,552
	<b>PRIVATE EQUITY</b>			<b>100,322</b>	<b>11,664,194</b>	<b>18,270,552</b>
Sheriffs' Retirement	MONTANA INTERNATIONAL POOL	0.000000		199,340	20,247,000	35,059,869
Sheriffs' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		515,539	39,720,665	73,073,679
	<b>STOCK TOTAL</b>			<b>714,878</b>	<b>59,967,665</b>	<b>108,133,549</b>
	<b>TOTAL EQUITY</b>			<b>891,903</b>	<b>79,443,860</b>	<b>134,458,002</b>
Sheriffs' Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	3,639,844	3,639,844	3,639,844
<b>SHERIFFS' RETIREMENT TOTAL</b>				<b>54,344,592</b>	<b>133,769,605</b>	<b>188,161,316</b>
Judges' Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	15,503,122	16,025,892	15,581,123
	<b>TOTAL FIXED INCOME</b>			<b>15,503,122</b>	<b>16,025,892</b>	<b>15,581,123</b>
Judges' Retirement	MONTANA REAL ESTATE POOL	0.000000		23,954	2,439,000	2,515,249
	<b>REAL ESTATE TOTAL</b>			<b>23,954</b>	<b>2,439,000</b>	<b>2,515,249</b>
Judges' Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		31,482	3,540,161	5,733,437
	<b>PRIVATE EQUITY</b>			<b>31,482</b>	<b>3,540,161</b>	<b>5,733,437</b>
Judges' Retirement	MONTANA INTERNATIONAL POOL	0.000000		62,389	6,115,000	10,973,014
Judges' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		160,784	11,248,202	22,789,975
	<b>STOCK TOTAL</b>			<b>223,174</b>	<b>17,363,202</b>	<b>33,762,989</b>
	<b>TOTAL EQUITY</b>			<b>278,610</b>	<b>23,342,363</b>	<b>42,011,675</b>
Judges' Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	1,065,696	1,065,696	1,065,696
<b>JUDGES' RETIREMENT TOTAL</b>				<b>16,847,428</b>	<b>40,433,951</b>	<b>58,658,494</b>
Highway Patrol Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	25,485,370	26,121,454	25,613,595
	<b>TOTAL FIXED INCOME</b>			<b>25,485,370</b>	<b>26,121,454</b>	<b>25,613,595</b>
Highway Patrol Retirement	MONTANA REAL ESTATE POOL	0.000000		39,300	4,000,000	4,126,545
	<b>REAL ESTATE TOTAL</b>			<b>39,300</b>	<b>4,000,000</b>	<b>4,126,545</b>
Highway Patrol Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		51,772	5,745,566	9,428,690
	<b>PRIVATE EQUITY</b>			<b>51,772</b>	<b>5,745,566</b>	<b>9,428,690</b>
Highway Patrol Retirement	MONTANA INTERNATIONAL POOL	0.000000		104,087	10,165,957	18,306,880
Highway Patrol Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		263,903	18,500,386	37,406,239
	<b>STOCK TOTAL</b>			<b>367,990</b>	<b>28,666,343</b>	<b>55,713,119</b>
	<b>TOTAL EQUITY</b>			<b>459,062</b>	<b>38,411,909</b>	<b>69,268,353</b>
Highway Patrol Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	1,117,848	1,117,848	1,117,848
<b>HIGHWAY PATROL RETIREMENT TOTAL</b>				<b>27,062,279</b>	<b>65,651,211</b>	<b>95,999,795</b>
Teachers' Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	756,512,806	768,059,943	760,319,057
	<b>TOTAL FIXED INCOME</b>			<b>756,512,806</b>	<b>768,059,943</b>	<b>760,319,057</b>
Teachers' Retirement	BOZEMAN PROPERTY	0.000000	12/31/2010	1,036,944	1,036,944	1,061,827
Teachers' Retirement	CALIFORNIA STREET PROP	0.000000	12/31/2010	102,796	102,796	110,000
Teachers' Retirement	MT COLONIAL DRIVE	0.000000	12/31/2010	3,617,971	3,617,971	3,888,175
Teachers' Retirement	NORTH PARK AVENUE	0.000000	12/31/2010	3,467,192	3,467,192	3,291,430
	<b>DIRECT REAL ESTATE</b>			<b>8,224,902</b>	<b>8,224,902</b>	<b>8,351,432</b>
Teachers' Retirement	MONTANA REAL ESTATE POOL	0.000000		1,207,408	122,873,000	126,780,622
	<b>REAL ESTATE TOTAL</b>			<b>9,432,310</b>	<b>131,097,902</b>	<b>135,132,054</b>
Teachers' Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		1,578,200	180,582,970	287,420,353
	<b>PRIVATE EQUITY</b>			<b>1,578,200</b>	<b>180,582,970</b>	<b>287,420,353</b>
Teachers' Retirement	MONTANA INTERNATIONAL POOL	0.000000		3,193,357	311,631,000	561,647,715
Teachers' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		8,165,358	541,012,407	1,157,377,216
	<b>STOCK TOTAL</b>			<b>11,358,716</b>	<b>852,643,407</b>	<b>1,719,024,931</b>
	<b>TOTAL EQUITY</b>			<b>22,369,226</b>	<b>1,164,324,279</b>	<b>2,141,577,337</b>
Teachers' Retirement	MONTANA ST	0.000000	12/31/2010	27,463,096	27,463,096	27,120,606
	<b>TOTAL MORTGAGES/LOANS</b>			<b>27,463,096</b>	<b>27,463,096</b>	<b>27,120,606</b>
Teachers' Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	32,943,654	32,943,654	32,943,654
<b>TEACHERS' RETIREMENT TOTAL</b>				<b>839,288,783</b>	<b>1,992,790,973</b>	<b>2,961,960,654</b>
Vol. Firemen's Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	6,575,969	6,810,899	6,609,055
	<b>TOTAL FIXED INCOME</b>			<b>6,575,969</b>	<b>6,810,899</b>	<b>6,609,055</b>
Vol. Firemen's Retirement	MONTANA REAL ESTATE POOL	0.000000		9,969	1,014,000	1,046,758
	<b>REAL ESTATE TOTAL</b>			<b>9,969</b>	<b>1,014,000</b>	<b>1,046,758</b>
Vol. Firemen's Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		13,241	1,447,048	2,411,362
	<b>PRIVATE EQUITY</b>			<b>13,241</b>	<b>1,447,048</b>	<b>2,411,362</b>

**APPENDIX A - Securities Listings By Portfolios As Of June 30, 2008**

<u>Fund</u>	<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par/Shares</u>	<u>Book Value</u>	<u>Fair Value</u>
Vol. Firemen's Retirement	MONTANA INTERNATIONAL POOL	0.000000		26,899	2,774,408	4,731,058
Vol. Firemen's Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		68,047	6,678,946	9,645,176
	<b>STOCK TOTAL</b>			<b>94,947</b>	<b>9,453,354</b>	<b>14,376,234</b>
	<b>TOTAL EQUITY</b>			<b>118,156</b>	<b>11,914,402</b>	<b>17,834,354</b>
Vol. Firemen's Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	1,549,340	1,549,340	1,549,340
<b>VOL. FIREMEN'S RETIREMENT TOTAL</b>				<b>8,243,465</b>	<b>20,274,641</b>	<b>25,992,748</b>
Firefighters' Retirement	RETIREMENT FUNDS BOND POOL	0.000000	12/31/2009	49,171,232	50,213,912	49,418,628
	<b>TOTAL FIXED INCOME</b>			<b>49,171,232</b>	<b>50,213,912</b>	<b>49,418,628</b>
Firefighters' Retirement	MONTANA REAL ESTATE POOL	0.000000		75,825	7,723,000	7,961,799
	<b>REAL ESTATE TOTAL</b>			<b>75,825</b>	<b>7,723,000</b>	<b>7,961,799</b>
Firefighters' Retirement	MONTANA PRIVATE EQUITY POOL	0.000000		99,800	11,668,265	18,175,455
	<b>PRIVATE EQUITY</b>			<b>99,800</b>	<b>11,668,265</b>	<b>18,175,455</b>
Firefighters' Retirement	MONTANA INTERNATIONAL POOL	0.000000		198,830	20,471,000	34,970,227
Firefighters' Retirement	MONTANA DOMESTIC EQUITY POOL	0.000000		511,321	42,597,531	72,475,813
	<b>STOCK TOTAL</b>			<b>710,151</b>	<b>63,068,531</b>	<b>107,446,040</b>
	<b>TOTAL EQUITY</b>			<b>885,776</b>	<b>82,459,796</b>	<b>133,583,295</b>
Firefighters' Retirement	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	1,735,477	1,735,477	1,735,477
<b>FIREFIGHTERS' RETIREMENT TOTAL</b>				<b>51,792,485</b>	<b>134,409,185</b>	<b>184,737,400</b>
U of M Other	FEDERAL FARM CR BKS CONS SYSTE	4.000000	9/24/2010	2,000,000	2,008,562	2,022,688
U of M Other	FEDERAL HOME LN BKS	5.250000	6/12/2009	1,500,000	1,519,836	1,533,312
U of M Other	FEDERAL HOME LN BK	4.500000	10/9/2009	1,500,000	1,513,891	1,528,979
U of M Other	FEDERAL HOME LOAN BANK	3.000000	12/10/2010	7,000,000	6,968,813	6,915,493
U of M Other	FEDERAL NATL MTG ASSN	4.000000	11/15/2012	3,000,000	2,990,751	2,988,765
	<b>US GOVERNMENT AGENCY</b>			<b>15,000,000</b>	<b>15,001,853</b>	<b>14,989,237</b>
U of M Other	TRUST FUNDS BOND POOL	1.000000	12/31/2009	13,621,185	13,552,921	13,212,917
	<b>TOTAL FIXED INCOME</b>			<b>28,621,185</b>	<b>28,554,774</b>	<b>28,202,153</b>
U of M Other	MONTANA DOMESTIC EQUITY POOL	0.000000		7,063	531,639	1,001,078
	<b>TOTAL EQUITY</b>			<b>7,063</b>	<b>531,639</b>	<b>1,001,078</b>
U of M Other	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	13,329,746	13,329,746	13,329,746
<b>U OF M OTHER TOTAL</b>				<b>41,957,994</b>	<b>42,416,159</b>	<b>42,532,977</b>
MT Tech UM	TRUST FUNDS BOND POOL	1.000000	12/31/2009	445,100	458,450	431,759
	<b>TOTAL FIXED INCOME</b>			<b>445,100</b>	<b>458,450</b>	<b>431,759</b>
MT Tech UM	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	3,912,934	3,912,934	3,912,934
<b>MT TECH UM TOTAL</b>				<b>4,358,034</b>	<b>4,371,384</b>	<b>4,344,693</b>
MSU Agency Funds	TRUST FUNDS BOND POOL	1.000000	12/31/2009	14,938,500	14,999,130	14,490,747
	<b>TOTAL FIXED INCOME</b>			<b>14,938,500</b>	<b>14,999,130</b>	<b>14,490,747</b>
MSU Agency Funds	SHORT TERM INVESTMENT POOL	1.000000	12/31/2010	42,858,480	42,858,480	42,858,480
<b>MSU AGENCY FUNDS TOTAL</b>				<b>57,796,980</b>	<b>57,857,610</b>	<b>57,349,227</b>

<b>Total Fund Historical Book Balances, Income, and Income Return</b>					
<b><u>Year</u></b>	<b><u>Year-End \$ Balances</u></b>	<b><u>Annual \$ Increase</u></b>	<b><u>Annual \$ Income</u></b>	<b><u>Annual % Incr.</u></b>	<b><u>Income %Return</u></b>
<i>Average Annual Balance Increase</i>		<i>335,935,100</i>		<i>10.7</i>	
2008	12,414,655,495	381,576,509	437,353,527	3.2	3.58
2007	12,033,078,986	1,381,477,306	585,050,911	13.0	5.16
2006	10,651,601,681	885,735,101	399,995,799	9.1	3.92
2005	9,765,866,580	787,273,910	360,929,390	8.8	3.85
2004	8,978,592,670	457,255,647	472,538,954	5.4	5.40
2003	8,521,337,023	(24,684,663)	394,899,778	(0.3)	4.63
2002	8,546,021,686	147,775,828	417,327,390	1.8	4.93
2001	8,398,245,858	658,923,289	570,461,812	8.5	7.07
2000	7,739,322,569	693,439,982	447,627,517	9.8	6.06
1999	7,045,882,586	463,293,558	415,348,813	7.0	6.10
1998	6,582,589,029	686,850,999	403,985,459	11.6	6.47
1997	5,895,738,030	267,508,710	384,866,212	4.8	6.68
1996	5,628,229,319	605,461,292	369,439,052	12.1	6.94
1995	5,022,768,027	250,748,706	311,952,313	5.3	6.37
1994	4,772,019,321	480,559,669	302,093,612	11.2	6.67
1993	4,291,459,652	492,251,338	325,722,769	13.0	8.05
1992	3,799,208,314	355,765,056	307,462,334	10.3	8.49
1991	3,443,443,258	246,482,405	296,946,028	7.7	8.94
1990	3,196,960,853	288,091,626	295,081,958	9.9	9.67
1989	2,908,869,227	280,122,753	269,244,243	10.7	9.72
1988	2,628,746,474	235,709,041	241,658,140	9.8	9.62
1987	2,393,037,433	233,749,895	239,583,020	10.8	10.53
1986	2,159,287,538	170,672,805	241,937,271	8.6	11.67
1985	1,988,614,733	206,311,756	213,464,258	11.6	11.32
1984	1,782,302,977	235,104,098	186,457,609	15.2	11.20
1983	1,547,198,879	178,461,561	164,390,784	13.0	11.28
1982	1,368,737,318	212,737,071	154,789,542	18.4	12.26
1981	1,156,000,247	126,611,696	114,119,374	12.3	10.44
1980	1,029,388,551	138,857,798	86,842,796	15.6	9.05
1979	890,530,753	94,217,581	65,520,161	11.8	7.77
1978	796,313,172	88,666,884	54,276,875	12.5	7.22
1977	707,646,288	80,721,049	47,313,627	12.9	7.09
1976	626,925,239	89,088,506	41,459,770	16.6	7.12
1975	537,836,733	70,390,182	37,118,312	15.1	7.38
1974	467,446,551	86,059,140	29,439,170	22.6	6.94
1973	381,387,411	60,395,524	20,367,231	18.8	5.80
1972	320,991,887		16,132,196		5.46

**PERS Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>69,912,497</i>		<i>10.1</i>	
2008	2,596,905,188	40,905,383	94,852,097	1.6	3.68
2007	2,555,999,805	123,952,467	171,887,613	5.1	6.89
2006	2,432,047,337	92,178,323	108,147,805	3.9	4.53
2005	2,339,869,014	63,948,447	93,137,953	2.8	4.04
2004	2,275,920,567	129,832,585	157,174,263	6.0	7.11
2003	2,146,087,982	71,237,880	114,127,866	3.4	5.41
2002	2,074,850,102	106,785,197	107,865,330	5.4	5.34
2001	1,968,064,905	170,773,454	170,918,237	9.5	9.08
2000	1,797,291,451	112,876,555	125,474,099	6.7	7.21
1999	1,684,414,896	105,784,616	112,867,195	6.7	6.92
1998	1,578,630,280	106,522,015	111,445,739	7.2	7.31
1997	1,472,108,266	111,355,981	110,533,498	8.2	7.80
1996	1,360,752,285	100,819,152	102,873,163	8.0	7.85
1995	1,259,933,133	83,895,411	83,425,354	7.1	6.85
1994	1,176,037,722	88,830,571	87,660,863	8.2	7.75
1993	1,087,207,151	103,262,368	95,914,874	10.5	9.26
1992	983,944,783	88,442,271	85,428,480	9.9	9.09
1991	895,502,511	86,322,266	79,719,985	10.7	9.35
1990	809,180,245	73,974,823	77,847,393	10.1	10.08
1989	735,205,422	71,140,882	72,003,023	10.7	10.29
1988	664,064,540	61,353,155	64,036,322	10.2	10.11
1987	602,711,385	73,745,575	63,439,745	13.9	11.21
1986	528,965,810	67,608,025	58,693,664	14.7	11.85
1985	461,357,785	57,520,058	47,403,616	14.2	10.96
1984	403,837,727	50,640,947	40,615,456	14.3	10.73
1983	353,196,780	48,909,250	34,958,940	16.1	10.63
1982	304,287,530	33,579,211	28,815,109	12.4	10.02
1981	270,708,319	26,408,693	23,489,723	10.8	9.12
1980	244,299,626	29,277,738	19,321,321	13.6	8.41
1979	215,021,888	28,633,695	16,357,252	15.4	8.15
1978	186,388,193	25,532,853	13,520,389	15.9	7.79
1977	160,855,340	21,732,482	11,361,593	15.6	7.57
1976	139,122,858	19,833,635	9,641,522	16.6	7.46
1975	119,289,223	15,815,377	7,593,641	15.3	6.82
1974	103,473,846	12,710,258	6,351,974	14.0	6.54
1973	90,763,588	10,708,308	5,471,314	13.4	6.41
1972	80,055,280		4,566,690		6.09



**TRS Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>53,326,561</i>		<i>9.6</i>	
2008	1,992,790,973	15,962,553	83,047,218	0.8	4.18
2007	1,976,828,420	106,835,681	130,229,621	5.7	6.77
2006	1,869,992,739	106,327,154	71,050,251	6.0	3.91
2005	1,763,665,585	21,099,089	75,845,392	1.2	4.33
2004	1,742,566,496	83,777,665	129,319,390	5.1	7.60
2003	1,658,788,831	41,959,040	95,580,408	2.6	5.84
2002	1,616,829,791	63,244,376	93,575,646	4.1	5.90
2001	1,553,585,415	116,367,847	152,363,493	8.1	10.19
2000	1,437,217,568	82,198,204	102,257,693	6.1	7.32
1999	1,355,019,364	67,803,208	92,826,763	5.3	7.03
1998	1,287,216,156	75,053,541	91,673,149	6.2	7.34
1997	1,212,162,615	87,081,006	92,197,958	7.7	7.89
1996	1,125,081,609	78,827,109	85,368,503	7.5	7.86
1995	1,046,254,500	72,939,312	73,018,070	7.5	7.23
1994	973,315,188	71,749,470	72,973,821	8.0	7.78
1993	901,565,718	89,220,933	78,687,668	11.0	9.18
1992	812,344,785	75,529,049	70,469,210	10.3	9.10
1991	736,815,736	74,733,955	65,948,441	11.3	9.43
1990	662,081,781	62,484,325	63,628,096	10.4	10.09
1989	599,597,456	60,465,431	58,607,895	11.2	10.29
1988	539,132,025	54,915,708	51,714,157	11.3	10.11
1987	484,216,317	69,184,764	49,117,437	16.7	10.92
1986	415,031,553	55,364,281	45,425,369	15.4	11.73
1985	359,667,272	51,074,593	36,036,654	16.6	10.79
1984	308,592,679	43,299,873	30,222,754	16.3	10.53
1983	265,292,806	32,138,199	25,772,023	13.8	10.34
1982	233,154,607	20,177,836	21,717,577	9.5	9.74
1981	212,976,771	20,686,541	18,108,545	10.8	8.94
1980	192,290,230	20,009,545	14,936,461	11.6	8.19
1979	172,280,685	19,350,005	13,272,323	12.7	8.16
1978	152,930,680	17,406,858	11,098,439	12.8	7.70
1977	135,523,822	16,820,305	9,405,270	14.2	7.40
1976	118,703,517	15,506,452	8,076,379	15.0	7.28
1975	103,197,065	10,132,831	6,702,284	10.9	6.83
1974	93,064,234	8,920,253	5,963,267	10.6	6.73
1973	84,143,981	11,109,208	5,075,899	15.2	6.46
1972	73,034,773		4,402,802		6.39

<b>Coal Tax Trust Fund Historical Book Balances, Income, and Income Return</b>					
<b><u>Year</u></b>	<b><u>Year-End \$ Balances</u></b>	<b><u>Annual \$ Increase</u></b>	<b><u>Annual \$ Income</u></b>	<b><u>Annual % Incr.</u></b>	<b><u>Income %Return</u></b>
<i>Average Annual Balance Increase</i>		<i>25,470,543</i>		<i>17.4</i>	
2008	770,378,663	27,818,934	41,978,440	3.7	5.55
2007	742,559,729	17,366,989	44,489,170	2.4	6.06
2006	725,192,740	16,820,998	41,757,043	2.4	5.83
2005	708,371,742	17,146,953	46,169,407	2.5	6.60
2004	691,224,790	13,211,240	44,170,843	1.9	6.45
2003	678,013,550	14,230,928	44,313,873	2.1	6.61
2002	663,782,622	13,720,298	45,049,799	2.1	6.86
2001	650,062,324	13,310,993	44,342,611	2.1	6.89
2000	636,751,331	22,134,147	44,308,988	3.6	7.08
1999	614,617,184	11,643,713	45,531,774	1.9	7.48
1998	602,973,471	16,194,141	44,918,922	2.8	7.55
1997	586,779,330	23,795,447	44,918,922	4.2	7.81
1996	562,983,883	15,973,100	44,376,465	2.9	8.00
1995	547,010,783	15,576,784	38,341,049	2.9	7.11
1994	531,433,999	19,416,428	43,012,532	3.8	8.24
1993	512,017,571	19,027,837	51,246,095	3.9	10.20
1992	492,989,734	18,731,378	47,594,422	3.9	9.84
1991	474,258,356	27,246,023	46,327,632	6.1	10.06
1990	447,012,333	35,228,274	45,785,254	8.6	10.66
1989	411,784,059	30,880,710	41,508,302	8.1	10.47
1988	380,903,349	41,062,015	35,294,692	12.1	9.79
1987	339,841,334	38,367,530	37,468,144	12.7	11.68
1986	301,473,804	49,052,410	38,475,175	19.4	13.89
1985	252,421,394	49,765,895	29,247,622	24.6	12.85
1984	202,655,499	44,076,324	24,105,342	27.8	13.35
1983	158,579,175	41,433,379	19,626,992	35.4	14.24
1982	117,145,796	42,617,964	13,233,786	57.2	13.81
1981	74,527,832	34,579,927	6,492,082	86.6	11.34
1980	39,947,905	23,040,483	2,619,380	136.3	9.21
1979	16,907,422	10,645,052	950,026	170.0	8.20
1978	6,262,370		177,366		NA

<b>Trust and Legacy Fund Historical Book Balances, Income, and Income Return</b>					
<b><u>Year</u></b>	<b><u>Year-End \$ Balances</u></b>	<b><u>Annual \$ Increase</u></b>	<b><u>Annual \$ Income</u></b>	<b><u>Annual % Incr.</u></b>	<b><u>Income %Return</u></b>
<i>Average Annual Balance Increase</i>		<i>10,486,253</i>		<i>5.6</i>	
2008	440,153,456	11,999,926	25,288,505	2.8	5.82
2007	428,153,530	4,999,795	26,474,491	1.2	6.22
2006	423,153,735	12,499,798	24,836,368	3.0	5.96
2005	410,653,937	0	28,375,979	0.0	6.91
2004	410,653,937	99,967	30,140,513	0.0	7.34
2003	410,553,970	(4,348,424)	29,215,115	(1.0)	7.08
2002	414,902,395	48,679,980	29,772,669	13.3	7.62
2001	366,222,415	11,759,523	26,219,151	3.3	7.28
2000	354,462,892	9,744,112	25,470,629	2.8	7.29
1999	344,718,781	8,419,172	26,263,226	2.5	7.71
1998	336,299,609	11,091,289	25,927,613	3.4	7.84
1997	325,208,320	9,713,224	24,473,449	3.1	7.64
1996	315,495,096	20,199,818	25,828,860	6.8	8.46
1995	295,295,278	10,150,565	23,149,117	3.6	7.98
1994	285,144,713	10,913,173	25,970,470	4.0	9.29
1993	274,231,540	7,937,366	30,069,820	3.0	11.13
1992	266,294,174	14,462,111	27,169,293	5.7	10.49
1991	251,832,063	17,495,864	25,950,710	7.5	10.68
1990	234,336,199	11,730,261	24,874,021	5.3	10.89
1989	222,605,938	14,200,044	23,942,716	6.8	11.11
1988	208,405,894	12,245,758	21,509,513	6.2	10.63
1987	196,160,136	8,677,947	23,295,649	4.6	12.14
1986	187,482,189	13,983,199	23,755,608	8.1	13.16
1985	173,498,990	12,133,321	19,358,472	7.5	11.56
1984	161,365,669	11,781,056	17,541,642	7.9	11.28
1983	149,584,613	16,377,726	16,136,589	12.3	11.41
1982	133,206,887	9,765,918	13,334,761	7.9	10.39
1981	123,440,969	14,491,921	10,771,441	13.3	9.27
1980	108,949,048	11,966,982	8,173,411	12.3	7.94
1979	96,982,066	9,691,121	6,813,640	11.1	7.40
1978	87,290,945	9,221,849	5,902,955	11.8	7.14
1977	78,069,096	6,766,268	5,244,983	9.5	7.02
1976	71,302,828	4,295,066	4,543,390	6.4	6.57
1975	67,007,762	2,743,989	3,712,287	4.3	5.66
1974	64,263,773	(658,629)	3,495,629	(1.0)	5.41
1973	64,922,402	2,274,069	3,373,031	3.6	5.29
1972	62,648,333		2,666,280		4.31

<b>Resource Indemnity Fund Historical Book Balances, Income, and Income Return</b>					
<b><u>Year</u></b>	<b><u>Year-End \$ Balances</u></b>	<b><u>Annual \$ Increase</u></b>	<b><u>Annual \$ Income</u></b>	<b><u>Annual % Incr.</u></b>	<b><u>Income %Return</u></b>
<i>Average Annual Balance Increase</i>		2,909,558		14.2	
2008	100,023,109	0	5,800,855	0.0	5.80
2007	100,023,109	0	6,220,240	0.0	6.22
2006	100,023,109	(231,735)	5,915,562	(0.2)	5.91
2005	100,254,844	254,068	6,901,925	0.3	6.89
2004	100,000,776	(189)	7,380,241	(0.0)	7.38
2003	100,000,965	(1,506,659)	7,174,343	(1.5)	7.12
2002	101,507,624	1,731,043	7,320,563	1.7	7.27
2001	99,776,581	333,491	7,305,992	0.3	7.33
2000	99,443,090	3,263,413	7,200,280	3.4	7.36
1999	96,179,677	761,624	7,528,795	0.8	7.86
1998	95,418,053	1,077,039	7,555,620	1.1	7.96
1997	94,341,015	1,517,077	7,318,083	1.6	7.82
1996	92,823,938	2,180,282	7,959,842	2.4	8.68
1995	90,643,656	747,988	6,380,294	0.8	7.07
1994	89,895,668	2,529,018	8,241,711	2.9	9.30
1993	87,366,650	4,737,267	8,715,126	5.7	10.25
1992	82,629,383	4,721,885	8,245,913	6.1	10.27
1991	77,907,497	4,467,644	8,097,553	6.1	10.70
1990	73,439,854	6,687,357	7,473,283	10.0	10.66
1989	66,752,497	4,507,782	6,941,486	7.2	10.76
1988	62,244,715	5,170,017	6,066,172	9.1	10.17
1987	57,074,698	4,015,025	7,205,821	7.6	13.09
1986	53,059,673	6,090,898	6,548,573	13.0	13.09
1985	46,968,775	4,693,048	5,509,892	11.1	12.35
1984	42,275,727	6,626,874	4,509,923	18.6	11.58
1983	35,648,853	7,692,479	4,021,028	27.5	12.64
1982	27,956,374	7,225,741	2,544,162	34.9	10.45
1981	20,730,633	4,537,059	1,767,418	28.0	9.57
1980	16,193,574	3,631,669	1,243,397	28.9	8.65
1979	12,561,905	1,924,348	956,045	18.1	8.24
1978	10,637,557	2,422,688	754,068	29.5	8.00
1977	8,214,869	2,672,848	532,922	48.2	7.75
1976	5,542,021	2,262,360	321,782	69.0	7.30
1975	3,279,661	2,181,518	96,126	198.7	4.39

<b><u>Parks/Cultural Trust Funds Historical Book Balances, Income, and Income Return</u></b>					
<b><u>Year</u></b>	<b><u>Year-End \$ Balances</u></b>	<b><u>Annual \$ Increase</u></b>	<b><u>Annual \$ Income</u></b>	<b><u>Annual % Incr.</u></b>	<b><u>Income %Return</u></b>
<i>Average Annual Balance Increase</i>		<i>902,645</i>		<i>15.6</i>	
2008	29,162,776	2,429,558	1,608,744	9.1	5.76
2007	26,733,218	1,157,757	1,571,129	4.5	6.01
2006	25,575,461	3,874,124	1,418,867	17.9	6.00
2005	21,701,337	823,199	1,418,436	3.9	6.66
2004	20,878,139	471,296	1,466,131	2.3	7.10
2003	20,406,842	(60,541)	1,429,181	(0.3)	6.99
2002	20,467,384	1,094,498	1,411,317	5.6	7.08
2001	19,372,886	897,953	1,369,148	4.9	7.24
2000	18,474,933	277,660	1,328,128	1.5	7.24
1999	18,197,273	143,496	1,381,258	0.8	7.62
1998	18,053,777	786,529	1,373,997	4.6	7.78
1997	17,267,248	(3,328,466)	1,505,353	(16.2)	7.95
1996	20,595,714	585,498	1,620,819	2.9	7.98
1995	20,010,216	(256,515)	1,479,603	(1.3)	7.35
1994	20,266,731	155,683	1,527,827	0.8	7.57
1993	20,111,048	1,211,787	1,851,220	6.4	9.49
1992	18,899,261	71,481	2,072,292	0.4	10.99
1991	18,827,780	867,833	1,895,380	4.8	10.30
1990	17,959,947	1,334,564	1,878,213	8.0	10.86
1989	16,625,383	(925)	1,812,862	(0.0)	10.90
1988	16,626,308	299,147	1,713,180	1.8	10.40
1987	16,327,161	142,998	1,836,570	0.9	11.30
1986	16,184,163	2,318,634	2,482,341	16.7	16.52
1985	13,865,529	2,357,908	1,628,262	20.5	12.83
1984	11,507,621	2,026,260	1,138,911	21.4	10.85
1983	9,481,361	2,001,547	941,225	26.8	11.10
1982	7,479,814	2,154,736	857,069	40.5	13.39
1981	5,325,078	1,760,617	518,146	49.4	11.66
1980	3,564,461	2,089,194	276,134	141.6	10.96
1979	1,475,267	301,781	107,070	25.7	8.08
1978	1,173,486	415,871	67,614	54.9	7.00
1977	757,615	479,465	33,227	172.4	6.42
1976	278,150		5,004		NA

**Treasurer's Fund Historical Book Balances, Income, and Income Return**

<u>Year</u>	<u>Year-End \$ Balances</u>	<u>Annual \$ Increase</u>	<u>Annual \$ Income</u>	<u>Annual % Incr.</u>	<u>Income %Return</u>
<i>Average Annual Balance Increase</i>		<i>24,488,174</i>		<i>8.0</i>	
2008	940,746,015	39,471,553	30,782,748	4.4	3.34
2007	901,274,462	138,977,434	33,951,447	18.2	4.08
2006	762,297,028	127,821,864	18,631,288	20.1	2.67
2005	634,475,164	193,239,558	10,046,532	43.8	1.87
2004	441,235,606	93,732,911	6,392,992	27.0	1.62
2003	347,502,695	21,932,553	6,366,439	6.7	1.89
2002	325,570,142	(92,198,060)	12,440,828	(22.1)	4.54
2001	417,768,202	(21,626,740)	20,771,980	(4.9)	6.21
2000	439,394,942	44,935,239	15,526,493	11.4	5.11
1999	394,459,703	58,729,353	17,041,259	17.5	5.49
1998	335,730,350	46,229,002	17,276,565	16.0	5.82
1997	289,501,348	(116,879,353)	14,499,914	(28.8)	5.00
1996	406,380,701	130,573,055	15,869,477	47.3	5.04
1995	275,807,646	(55,486,611)	16,161,064	(16.7)	5.29
1994	331,294,257	75,980,006	11,486,172	29.8	3.77
1993	255,314,251	49,497,122	12,916,816	24.0	4.50
1992	205,817,129	(87,133,254)	16,504,585	(29.7)	7.02
1991	292,950,383	(62,810,336)	22,536,484	(17.7)	7.91
1990	355,760,719	62,711,613	26,351,179	21.4	8.37
1989	293,049,106	75,093,422	21,294,365	34.5	7.99
1988	217,955,684	497,584	15,406,342	0.2	6.79
1987	217,458,100	16,766,997	12,759,394	8.4	5.49
1986	200,691,103	(54,516,631)	13,215,592	(21.4)	6.42
1985	255,207,734	24,465,129	24,920,025	10.6	9.85
1984	230,742,605	1,456,166	23,048,654	0.6	10.45
1983	229,286,439	(56,554,692)	28,477,046	(19.8)	10.29
1982	285,841,131	38,330,194	42,501,636	15.5	13.57
1981	247,510,937	32,810,117	29,020,120	15.3	12.05
1980	214,700,820	12,827,050	21,341,613	6.4	10.51
1979	201,873,770	16,449,453	12,982,433	8.9	8.41
1978	185,424,317	13,016,569	10,827,779	7.5	6.88
1977	172,407,748	11,796,744	9,789,327	7.3	6.28
1976	160,611,004	5,757,912	10,458,037	3.7	6.74
1975	154,853,092	21,984,238	12,135,349	16.5	8.59
1974	132,868,854	50,478,772	8,340,038	61.3	8.66
1973	82,390,082	23,218,332	3,385,647	39.2	5.28
1972	59,171,750		1,507,755		4.63

# LEGISLATIVE AUDIT DIVISION

B-1

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

## INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Statement of Net Asset Value/Investments Managed of the Montana Board of Investments, Consolidated Unified Investment Program as of June 30, 2008, and 2007, and the related Statement of Changes in Net Asset Value/Investments Managed, and Statement of Investment Income and Distribution, for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net asset value of the Montana Board of Investments, Consolidated Unified Investment Program as of June 30, 2008, and 2007, and its changes in net asset value/investments managed and investment income and distribution for each of the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

The information presented on pages 1-68 and Appendix A listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,

*/s/ James Gillett*

James Gillett, CPA  
Deputy Legislative Auditor

November 26, 2008

**MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**  
**STATEMENT OF NET ASSET VALUE/INVESTMENTS MANAGED JUNE 30, 2008 AND 2007**

	<u><b>2008</b></u>	<u><b>2007</b></u>
<b>Assets</b>		
Cash	\$ 17,266,879	\$ 7,340,174
Security lending cash collateral (Note 5)	836,203,843	698,909,871
Broker receivable for securities sold but not settled (Note 2A)	33,967,399	14,885,969
Dividend and interest receivable (Note 2E)	68,543,146	111,086,901
STIP investment portfolio at amortized cost (Note 2B)	2,322,008,128	2,789,738,734
Investment portfolios at fair value (Note 2B)	<u>10,473,336,072</u>	<u>10,649,795,613</u>
<b>Total assets (Note 2B)</b>	<b>\$ 13,751,325,467</b>	<b>\$ 14,271,757,262</b>
<b>Liabilities</b>		
Income due participants (Notes 2E)	\$ 31,121,618	\$ 34,290,689
Broker payable for securities purchased but not settled (Note 2A)	99,374,745	62,138,718
Security lending obligations (Note 5)	836,203,843	698,909,871
Security lending expense payable	1,587,852	3,061,325
Unrealized foreign exchange market gain (loss)	249,585	(82,281)
Other payables	206,737	39,437
Administrative fee payable	4,238,184	3,437,740
STIP reserve (Note 7)	<u>4,352,667</u>	<u>0</u>
<b>Total liabilities (Note 2B)</b>	<u>977,335,231</u>	<u>801,795,499</u>
<b>Net asset value/investments managed (Note 2B, 2C)</b>	<b>\$ <u>12,773,990,236</u></b>	<b>\$ <u>13,469,961,763</u></b>
Pool Units Outstanding (Note 2B, 2C)	2,390,312,896	2,861,083,078

**STATEMENT OF CHANGES IN NET ASSET VALUE/INVESTMENTS MANAGED**  
**FOR FISCAL YEARS ENDING JUNE 30, 2008 AND 2007**

Net asset value/investments, beginning of year	\$ 13,469,961,763	\$ 11,687,907,633
Value of pool units/investments purchased (Note 2D)	13,874,166,338	12,998,491,932
Value of pool units/investments sold/matured (Note 2D)	(13,979,187,863)	(12,162,345,767)
Increase (decrease) in AOF interest receivable	(531,143)	622,699
Increase (decrease) in AOF broker receivable	(78,728)	51,300
(Increase) decrease in AOF accounts payable	33,207	(7,441)
(Increase) decrease in AOF security lending expense payable	741,098	(316,991)
Changes in current value of investments managed (Note 2D)	<u>(591,114,436)</u>	<u>945,558,398</u>
<b>Net asset value/investments managed, end of year</b>	<b>\$ <u>12,773,990,236</u></b>	<b>\$ <u>13,469,961,763</u></b>

**STATEMENT OF INVESTMENT INCOME and DISTRIBUTION FOR FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

Net realized gains (Note 2E)	\$ 26,598,055	\$ 163,514,964
Dividend/interest income (Note 2E)	380,536,951	351,407,967
Amortization/accretion (Note 2E)	73,207,790	97,264,829
Security lending income (Note 5)	42,135,165	26,889,433
Security lending expense (Note 5)	(34,612,280)	(25,953,789)
Administrative expenses (Note 2F)	(41,612,233)	(21,064,451)
Other expenses	(841,495)	(873,556)
STIP reserve expense (Note 7)	(4,346,500)	
Income due participants, beginning of year	<u>34,290,689</u>	<u>22,764,985</u>
Income available for distribution (Note 2E)	475,356,142	613,950,382
Distribution (Note 2E)	<u>444,234,524</u>	<u>579,659,693</u>
Income due participants, end of year (Note 2E)	<b>\$ <u>31,121,618</u></b>	<b>\$ <u>34,290,689</u></b>

The accompanying notes are an integral part of these financial statements.



**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008 AND 2007**

**1. HISTORY AND ORGANIZATION**

The Board was created by the Legislature to manage the Unified Investment Program established by the state Constitution. The Investment Program is comprised of all state funds, including pensions, trusts, insurance, and cash. Local government entities may only invest in the Short Term Investment Pool portion of the Program. The Board manages the Investment Program pursuant to the "Prudent Expert Principle" mandated by state law, which requires an investment manager to:

(a) discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;

(b) diversify the holdings of each fund within the unified investment program to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and

(c) discharge the duties solely in the interest of and for the benefit of the funds forming the unified investment program.

Currently, only the nine retirement funds and the Montana State Fund (Workers' Compensation) may invest in stock. All other state funds must be invested in fixed-income type investments. Neither state law nor the state Constitution place restrictions on retirement fund investments. The funds are invested solely at the discretion of the Board pursuant to the "Prudent Expert Principle."

To facilitate management of the Investment Program, the Board created seven investment pools (Pools) that operate similar to mutual funds. All state agencies and many local government entities participate in one or more Pools. By investing in large Pools with other participants the smaller participants are provided broad diversification not otherwise possible. Some Pools are dedicated solely to the state's nine retirement funds, while others are open to other state and local government funds. State agencies, ineligible to participate in a long term investment pool, have direct fixed income, equity, real estate, loan and mortgage investments. These investments are combined and reported as All Other Funds (AOF) Investments Managed. The Pools, AOF Investments Managed, Pool creation date and eligible participants are shown below.

<u>Pool/Investments Managed Name</u>	<u>Creation Date</u>	<u>Eligible Participants</u>
Retirement Funds Bond Pool (RFBP)	04/01/95	Nine Retirement Funds Only
Trust Funds Bond Pool (TFBP)	10/01/95	Various State Trust Funds
Montana Domestic Equity Pool (MDEP)	07/01/80	Nine Retirement Funds/Small Trusts
Montana International Equity Pool (MTIP)	06/01/96	Nine Retirement Funds Only
Montana Private Equity Pool (MPEP)	05/01/02	Nine Retirement Funds Only
Montana Real Estate Pool (MTRP)	06/01/06	Nine Retirement Funds Only
Short Term Investment Pool (STIP)	07/01/74	All State Funds and Local Governments
All Other Funds (AOF) Investments Managed	NA	Non-Pool State Agency Investments

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Valuation and Timing** – The value of stocks and bonds are recorded at both "book" and "fair" value. The book or carrying value of a stock is the average cost of the shares held. If the same stock has been purchased several times, the average of the purchase prices is the book value. The book value of bonds is the "amortized" cost, which represents the original cost, adjusted for premium and discount amortization where applicable. If bonds are purchased at more than the par value, the difference is called a premium. If they are purchased for less than par value, the difference is called discount. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life, or maturity date of the securities. The fair value of publicly traded stocks and bonds is determined by reference to market prices supplied by State Street Bank (the custodial bank). Because a public market does not exist for private equity and real estate investments, the fair value of these investments is the value reported in the most recent external managers' valuation reports. The book or carrying value of these private investments is the capital invested less capital returned. Except for STIP, all investment portfolios presented in the Statement of Net Asset Value are at "fair" value.

**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

Accounting for stock and bond securities is based on the “trade date”, which means the sale or purchase of a security is recorded on the trade date, rather than the “settlement” date. This generally accepted practice results in a purchased security included in the investment portfolio on the trade date even though payment will not occur until the settlement date. Conversely, a sold security will be eliminated from the investment portfolio on the trade date even though the sale proceeds will not be received until the settlement date. This delayed timing requires that “receivables” and “payables” for securities sold/purchased but not yet settled must be reported in the financial statement and calculated in the Net Asset Value. Private equity and real estate investments are included in the portfolio when funds are wired.

Currency exposures may be hedged, partially or fully, at the discretion of the manager to preserve the U.S. dollar value of investments made. Currency speculation, such as over-hedging, reverse hedging or other trading activity not specifically aimed at preserving the U.S. dollar value of investments is not authorized.

**B. Pool Net Asset Value/Investments Managed** – The Pool Net Asset Value (NAV) must be calculated accurately to ensure participants are paying or receiving a “fair” price when units are purchased and sold. The NAV must include not only the fair value of the investment portfolio (except for STIP at book value) but any liabilities payable by the Pool and receivables due the Pool on the NAV calculation date. Investment accounting uses the “accrual” basis, which means bond interest due is recorded when earned, rather than when cash is received. Interest “due” is recorded as a receivable (asset) and included in the NAV on the date of the calculation. Dividends are recorded as of “ex-dividend date.” Income due to Pool participants is recorded on the date due to the participants, rather than on actual distribution date. Income Due Participants is a payable (liability) and included in the NAV on the calculation date. The effect of assets and liabilities on the Pool NAV is depicted in the table below. The difference between Pool investment portfolios at fair value and the NAV is the net of other assets and liabilities. The STIP portfolio is shown in the Statement of Net Asset Value at amortized cost or “book” value. The All Other Funds (AOF) Investments Managed (IM) represent direct investments by approximately 20 state agencies in fixed income securities, an equity index fund, real estate buildings, commercial loans and residential mortgages. These state agencies do not buy or sell participant units based on a NAV calculation for their AOF Investments Managed. The book value, fair value, Pool NAV and AOF Investments Managed (IM) are shown in the table on the next page.

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**June 30, 2008 Investment Portfolios and Net Asset Value (NAV)/Investments Managed (IM)**

<b><u>Pool</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value *</u></b>	<b><u>NAV/IM</u></b>
Retirement Funds Bond Pool (RFBP)	1,995,227,873	1,991,701,315	1,966,209,536
Trust Funds Bond Pool (TFBP)	1,543,685,172	1,545,945,703	1,525,195,966
Montana Domestic Equity Pool (MDEP)	2,949,750,890	2,965,611,148	2,972,686,616
Montana International Equity Pool (MTIP)	1,320,309,704	1,437,640,868	1,446,301,196
Montana Private Equity Pool (MPEP)	640,012,167	744,098,947	744,061,238
Montana Real Estate Pool (MTRP)	319,436,934	329,186,301	326,540,885
Short Term Investment Pool (STIP)*	2,322,008,128	2,322,008,128	2,318,634,887
All Other Funds (AOF) Investments Managed	<u>1,444,468,005</u>	<u>1,459,151,790</u>	<u>1,474,359,912</u>
<b>Total</b>	<b><u>12,534,898,874</u></b>	<b><u>12,795,344,200</u></b>	<b><u>12,773,990,236</u></b>

**June 30, 2007 Investment Portfolios and Net Asset Value (NAV)/Investments Managed (IM)**

<b><u>Pool</u></b>	<b><u>Book Value</u></b>	<b><u>Fair Value *</u></b>	<b><u>NAV/IM</u></b>
Retirement Funds Bond Pool (RFBP)	1,969,001,908	1,964,715,151	1,969,724,339
Trust Funds Bond Pool (TFBP)	1,377,795,892	1,374,840,538	1,381,812,779
Montana Domestic Equity Pool (MDEP)	2,743,901,727	3,467,579,758	3,466,347,984
Montana International Equity Pool (MTIP)	1,278,743,938	1,612,071,367	1,615,596,682
Montana Private Equity Pool (MPEP)	515,061,200	621,897,548	621,497,145
Montana Real Estate Pool (MTRP)	156,324,730	158,790,732	157,501,002
Short Term Investment Pool (STIP)*	2,789,738,734	2,789,738,734	2,792,537,625
All Other Funds (AOF) Investments Managed	<u>1,428,644,473</u>	<u>1,449,900,519</u>	<u>1,464,944,207</u>
<b>Total</b>	<b><u>12,259,212,602</u></b>	<b><u>13,439,534,347</u></b>	<b><u>13,469,961,763</u></b>

\* The STIP portfolio is recorded at amortized cost in the Fair Value column.

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The table below shows the individual Pool and AOF assets, liabilities, and NAV/Investments Managed. Included in the Pool and Investments Managed assets are the value of the investment portfolios, cash, receivables for securities sold but not yet settled, and dividend/interest receivables. Included in the liabilities are payables for securities purchased but not yet settled, income due participants, and other miscellaneous payables. The “securities lending” asset/liability shown in the Statement of Net Asset Value/ Investments Managed nets to zero and has no “net” effect on the Pool NAV and AOF Investments Managed.

**2008 Assets, Liabilities and Net Asset Value (NAV)/Investments Managed (IM)**

<b><u>Pool</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>NAV/IM</u></b>
Retirement Funds Bond Pool (RFBP)	2,114,919,548	148,710,012	1,966,209,536
Trust Funds Bond Pool (TFBP)	1,650,953,561	125,757,595	1,525,195,966
Montana Domestic Equity Pool (MDEP)	3,277,358,234	304,671,618	2,972,686,616
Montana International Equity Pool (MTIP)	1,541,240,521	94,939,325	1,446,301,196
Montana Private Equity Pool (MPEP)	744,098,947	37,709	744,061,238
Montana Real Estate Pool (MTRP)	329,201,987	2,661,102	326,540,885
Short Term Investment Pool (STIP)	2,429,451,415	110,816,528	2,318,634,887
All Other Funds (AOF) Investments Managed	<u>1,664,101,254</u>	<u>189,741,342</u>	<u>1,474,359,912</u>
<b>Total</b>	<b><u>13,751,325,467</u></b>	<b><u>977,335,231</u></b>	<b><u>12,773,990,236</u></b>

**2007 Assets, Liabilities and Net Asset Value (NAV)/Investments Managed (IM)**

<b><u>Pool</u></b>	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>NAV/IM</u></b>
Retirement Funds Bond Pool (RFBP)	2,091,941,581	122,217,242	1,969,724,339
Trust Funds Bond Pool (TFBP)	1,470,170,078	88,357,299	1,381,812,779
Montana Domestic Equity Pool (MDEP)	3,646,878,109	180,530,125	3,466,347,984
Montana International Equity Pool (MTIP)	1,774,847,610	159,250,928	1,615,596,682
Montana Private Equity Pool (MPEP)	621,897,548	400,403	621,497,145
Montana Real Estate Pool (MTRP)	159,033,212	1,532,210	157,501,002
Short Term Investment Pool (STIP)	2,804,936,526	12,398,901	2,792,537,625
All Other Funds (AOF) Investments Managed	<u>1,702,052,598</u>	<u>237,108,391</u>	<u>1,464,944,207</u>
<b>Total</b>	<b><u>14,271,757,262</u></b>	<b><u>801,795,499</u></b>	<b><u>13,469,961,763</u></b>

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**C. Pool Participant Units** – Pool units are purchased and sold similar to individuals investing in mutual funds. The STIP participants purchase and sell units, at \$1 per unit, at their discretion. All non-STIP Pool units and AOF direct investments are purchased and sold at the discretion of Board investment staff based on asset allocations approved by the Board. For non-STIP Pool participants to purchase and sell units, the units must be “priced.” Once the Pool NAV is calculated, the unit value is priced by dividing the NAV by the number of outstanding units. The unit value is then used when units are purchased or sold. Like securities, Pool units also have a “book” value, which is the price of the unit when it was purchased. The book value does not change unless the participant purchased additional units at different prices. Because the AOF Investments Managed (IM) is not an investment pool, there are no Units Outstanding or a Pool Unit Value. The calculations for Pool unit values are shown below:

**2008 NAV/IM - Units Outstanding - Unit Value**

<b><u>Pool Name</u></b>	<b><u>NAV/IM</u></b>	<b><u>Units Outstanding</u></b>	<b><u>Unit Value</u></b>
Retirement Funds Bond Pool (RFBP)	1,966,209,536	19,563,664	100.50
Trust Funds Bond Pool (TFBP)	1,525,195,966	15,723,233	97.00
Montana Domestic Equity Pool (MDEP)	2,972,686,616	20,972,463	141.74
Montana International Equity Pool (MTIP)	1,446,301,196	8,223,227	175.88
Montana Private Equity Pool (MPEP)	744,061,238	4,085,576	182.12
Montana Real Estate Pool (MTRP)	326,540,885	3,109,846	105.00
Short Term Investment Pool (STIP)	2,318,634,887	2,318,634,887	1.00
All Other Funds (AOF) Investments Managed	<u>1,474,359,912</u>	<u>NA</u>	<u>NA</u>
<b>Total</b>	<b><u>12,773,990,236</u></b>	<b><u>2,390,312,896</u></b>	<b><u>NA</u></b>

**2007 NAV/IM - Units Outstanding - Unit Value**

<b><u>Pool Name</u></b>	<b><u>NAV/IM</u></b>	<b><u>Units Outstanding</u></b>	<b><u>Unit Value</u></b>
Retirement Funds Bond Pool (RFBP)	1,969,724,339	19,604,653	100.47
Trust Funds Bond Pool (TFBP)	1,381,812,779	14,312,848	96.54
Montana Domestic Equity Pool (MDEP)	3,466,347,984	21,153,092	163.87
Montana International Equity Pool (MTIP)	1,615,596,682	8,198,003	197.07
Montana Private Equity Pool (MPEP)	621,497,145	3,731,013	166.58
Montana Real Estate Pool (MTRP)	157,501,002	1,545,844	101.89
Short Term Investment Pool (STIP)	2,792,537,625	2,792,537,625	1.00
All Other Funds (AOF) Investments Managed	<u>1,464,944,207</u>	<u>NA</u>	<u>NA</u>
<b>Total</b>	<b><u>13,469,961,763</u></b>	<b><u>2,861,083,078</u></b>	<b><u>NA</u></b>

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**D. Changes in Net Asset Value/Investments Managed** – This table depicts the change in NAV/IM from the previous year to the current year. There are three components contributing to the changes: 1) the value of Pool participant units and AOF investments purchased; 2) the value of Pool participant units and AOF investments sold; and 3) the change in the value of investments managed. The change in NAV for each Pool and AOF Investments Managed is shown in the table on the following page.

**2008 Pool Unit/AOF Investment Activity and Change in Value of Investments**

<b><u>Pool</u></b>	<b><u>Value of Units/ Investments Purchased</u></b>	<b><u>Value of Units/ Investments Sold</u></b>	<b><u>Change in Value of Investments</u></b>
Retirement Funds Bond Pool (RFBP)	2,800,000	(6,958,243)	643,439
Trust Funds Bond Pool (TFBP)	138,167,302		5,215,885
Montana Domestic Equity Pool (MDEP)	6,190,000	(14,934,944)	(484,916,424)
Montana International Equity Pool (MTIP)	5,255,000	(136,765)	(174,413,721)
Montana Private Equity Pool (MPEP)	63,120,000		59,444,093
Montana Real Estate Pool (MTRP)	161,500,000	-	7,539,883
Short Term Investment Pool (STIP)	7,460,338,229	(7,934,240,967)	
All Other Funds (AOF) Investments Managed	<u>6,036,795,807</u>	<u>(6,022,916,944)</u>	<u>(4,627,591)</u>
<b>Total</b>	<b><u>13,874,166,338</u></b>	<b><u>(13,979,187,863)</u></b>	<b><u>(591,114,436)</u></b>

**2007 Pool Unit/AOF Investment Activity and Change in Value of Investments**

<b><u>Pool</u></b>	<b><u>Value of Units/ Investments Purchased</u></b>	<b><u>Value of Units/ Investments Sold</u></b>	<b><u>Change in Value of Investments</u></b>
Retirement Funds Bond Pool (RFBP)	109,670,000		11,367,339
Trust Funds Bond Pool (TFBP)	73,936,557	(19,469,054)	5,092,482
Montana Domestic Equity Pool (MDEP)	9,699,997	(118,345,358)	422,333,342
Montana International Equity Pool (MTIP)	880,000	(172,551)	371,439,970
Montana Private Equity Pool (MPEP)	117,500,000		103,614,518
Montana Real Estate Pool (MTRP)	125,000,000		2,466,002
Short Term Investment Pool (STIP)	7,769,243,126	(7,176,208,453)	-
All Other Funds (AOF) Investments Managed	<u>4,792,562,252</u>	<u>(4,848,150,351)</u>	<u>29,244,746</u>
<b>Total</b>	<b><u>12,998,491,932</u></b>	<b><u>(12,162,345,767)</u></b>	<b><u>945,558,398</u></b>

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**E. Distributable Income** – Bond Pool and AOF distributable income reported in the Statement of Investment Income and Distribution includes accrued interest, miscellaneous income, amortization/accretion of discount/premium, and realized gains (losses) on sales. STIP income is comprised of accrued interest and amortization of discount. Public equity, private equity, and private real estate Pools distributable income consists primarily of dividends. Realized capital gains in the MPEP and MTRP are not distributed unless the gains are needed to pay management fees. Income Due Participants is distributed monthly on the first calendar day of each month. Realized Bond Pool and AOF portfolio gains/losses are distributed monthly.

In fiscal year 2008, the sale of pool units from the Montana Domestic Equity Pool (MDEP), Montana International Equity Pool (MTIP), and Retirement Fund Bond Pool (RFBP) generated a net gain to participants of \$20,420,061. In fiscal year 2007, the sale of pool units from the Montana Domestic Equity Pool (MDEP), Trust Funds Bond Pool (TFBP), and the Montana International Equity Pool (MTIP) generated a net gain to participants of \$154,843,150. These gains were recorded as AOF activity. The major distributable income for each Pool and the AOF is shown below.

**2008 Major Sources of Distributable Income**

<b><u>Pool</u></b>	<b><u>Gain (Loss)</u></b>	<b><u>Dividend\ Interest</u></b>	<b><u>Amortization\ Accretion</u></b>
Retirement Funds Bond Pool (RFBP)	801,665	106,519,052	5,892,443
Trust Funds Bond Pool (TFBP)	46,769	78,164,854	4,795,586
Montana Domestic Equity Pool (MDEP)		30,657,473	
Montana International Equity Pool (MTIP)		30,475,684	
Montana Private Equity Pool (MPEP)	4,650,076	11,120,564	
Montana Real Estate Pool (MTRP)		11,057,248	
Short Term Investment Pool (STIP)		43,512,626	60,575,090
All Other Funds (AOF) Investments Managed	<u>21,099,545</u>	<u>69,029,450</u>	<u>1,944,671</u>
<b>Total</b>	<b><u>26,598,055</u></b>	<b><u>380,536,951</u></b>	<b><u>73,207,790</u></b>

**2007 Major Sources of Distributable Income**

<b><u>Pool</u></b>	<b><u>Gain (Loss)</u></b>	<b><u>Dividend\ Interest</u></b>	<b><u>Amortization\ Accretion</u></b>
Retirement Funds Bond Pool (RFBP)	5,056,841	101,515,996	8,121,273
Trust Funds Bond Pool (TFBP)	4,421,784	72,550,314	6,151,238
Montana Domestic Equity Pool (MDEP)		27,342,728	
Montana International Equity Pool (MTIP)		24,012,311	
Montana Private Equity Pool (MPEP)	1,800,000	8,716,185	
Montana Real Estate Pool (MTRP)		3,109,188	
Short Term Investment Pool (STIP)	-	43,632,233	81,277,191
All Other Funds (AOF) Investments Managed	<u>152,236,339</u>	<u>70,529,012</u>	<u>1,715,127</u>
<b>Total</b>	<b><u>163,514,964</u></b>	<b><u>351,407,967</u></b>	<b><u>97,264,829</u></b>

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**Distributable income for the fiscal year may not be distributed by June 30. Any undistributed amount is recorded as a payable against the NAV of the Pool at year-end. The distributable and undistributed income is shown below.**

**2008 Distributable and Undistributed Income**

<b><u>Pool Name</u></b>	<b><u>Distributable</u></b>	<b><u>Distributed</u></b>	<b><u>Undistributed</u></b>
Retirement Funds Bond Pool (RFBP)	123,139,399	112,860,568	10,278,831
Trust Funds Bond Pool (TFBP)	90,747,626	82,700,924	8,046,702
Montana Domestic Equity Pool (MDEP)	23,799,314	20,847,818	2,951,496
Montana International Equity Pool (MTIP)	25,686,193	23,069,221	2,616,972
Montana Private Equity Pool (MPEP)	1,813,803	1,776,094	37,709
Montana Real Estate Pool (MTRP)	5,593,848	2,932,746	2,661,102
Short Term Investment Pool (STIP)	112,122,210	107,593,404	4,528,806
All Other Funds (AOF) Investments Managed	<u>92,453,749</u>	<u>92,453,749</u>	<u>0</u>
<b>Total</b>	<b><u>475,356,142</u></b>	<b><u>444,234,524</u></b>	<b><u>31,121,618</u></b>

**2007 Distributable and Undistributed Income**

<b><u>Pool Name</u></b>	<b><u>Distributable</u></b>	<b><u>Distributed</u></b>	<b><u>Undistributed</u></b>
Retirement Funds Bond Pool (RFBP)	124,826,037	115,615,202	9,210,835
Trust Funds Bond Pool (TFBP)	91,174,640	83,927,177	7,247,463
Montana Domestic Equity Pool (MDEP)	24,639,107	22,847,185	1,791,922
Montana International Equity Pool (MTIP)	19,159,796	17,450,695	1,709,101
Montana Private Equity Pool (MPEP)	2,810,620	2,410,217	400,403
Montana Real Estate Pool (MTRP)	2,220,061	687,851	1,532,210
Short Term Investment Pool (STIP)	125,321,963	112,923,208	12,398,755
All Other Funds (AOF) Investments Managed	<u>223,798,158</u>	<u>223,798,158</u>	<u>0</u>
<b>Total</b>	<b><u>613,950,382</u></b>	<b><u>579,659,693</u></b>	<b><u>34,290,689</u></b>

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**F. Investment Management Fees** – The Legislature sets the maximum management fee the Board may charge the accounts it manages. The maximum fee is set at the aggregate level and at the beginning of each fiscal year. The Board allocates the aggregate fees across the Pools and AOF investments managed outside the Pools. Custodial bank fees are paid by a statutory appropriation from the state general fund. The Board allocates custodial bank fees across the Pools and accounts invested outside the Pools and deposits the proceeds in the general fund. The State Treasurer then pays the monthly custodial bank fees from the general fund. External manager fees are paid directly from the accounts they manage. Investment management fees charged each Pool and the AOF investments are shown below.

**Fiscal 2008 Management Fees**

<b><u>Pool</u></b>	<b><u>Board</u></b>	<b><u>Custodial Bank</u></b>	<b><u>External Managers</u></b>	<b><u>Total</u></b>
Retirement Funds Bond Pool (RFBP)	419,493	107,484		526,977
Trust Funds Bond Pool (TFBP)	399,237	85,596		484,833
Montana Domestic Equity Pool (MDEP)	763,959	268,504	9,451,735	10,484,198
Montana International Equity Pool (MTIP)	635,222	401,789	6,795,462	7,832,473
Montana Private Equity Pool (MPEP)	501,500	78,320	13,422,569	14,002,389
Montana Real Estate Pool (MTRP)	536,133	28,032	5,944,802	6,508,967
Short Term Investment Pool (STIP)	462,467	248,408	-	710,875
All Other Funds (AOF) Investments Managed	<u>878,289</u>	<u>119,596</u>	<u>63,636</u>	<u>1,061,521</u>
<b>Total</b>	<b><u>4,596,300</u></b>	<b><u>1,337,729</u></b>	<b><u>35,678,204</u></b>	<b><u>41,612,233</u></b>

**Fiscal 2007 Management Fees**

<b><u>Pool</u></b>	<b><u>Board</u></b>	<b><u>Custodial Bank</u></b>	<b><u>External Managers</u></b>	<b><u>Total</u></b>
Retirement Funds Bond Pool (RFBP)	332,964	69,150		402,114
Trust Funds Bond Pool (TFBP)	307,722	55,354		363,076
Montana Domestic Equity Pool (MDEP)	1,079,808	170,862	3,397,267	4,647,937
Montana International Equity Pool (MTIP)	223,141	256,042	5,816,740	6,295,923
Montana Private Equity Pool (MPEP)	213,288	160,274	6,875,870	7,249,432
Montana Real Estate Pool (MTRP)	149,184	12,786	779,097	941,067
Short Term Investment Pool (STIP)	233,436	155,215	-	388,651
All Other Funds (AOF) Investments Managed	<u>639,373</u>	<u>74,659</u>	<u>62,219</u>	<u>776,251</u>
<b>Total</b>	<b><u>3,178,916</u></b>	<b><u>954,342</u></b>	<b><u>16,931,193</u></b>	<b><u>21,064,451</u></b>

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**3. INVESTMENT COMMITMENTS**

Investments in private equity and private real estate are usually made via Limited Partnership Agreements that involve many limited partners and a General Partner who is responsible for all investment decisions. The Limited Partners make an original commitment, after which capital is called as needed by the General Partner to make investments. These Agreements will usually last for a minimum of 10 years. The table below shows the remaining Board commitments to private equity funds.

**MPEP Commitments as of June 30, 2008**

<b><u>Fund Manager Name</u></b>	<b><u>Original Commitment</u></b>	<b><u>Commitment Remaining</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>
Adams Street	\$ 330,129,264	\$ 56,968,621	\$ 184,993,885	\$ 213,905,012
Affinity Equity Partners	15,000,000	11,538,712	2,995,454	2,968,762
ArcLight	50,000,000	8,631,290	32,175,265	33,251,388
Avenue Capital	35,000,000	18,375,402	15,938,965	14,665,298
Buerk Dale Victor	15,000,000	10,950,000	4,050,000	3,315,285
Carlyle Partners	60,000,000	17,425,034	40,606,539	44,341,656
CCMP Capital Advisors	30,000,000	22,910,624	6,551,322	6,720,929
First Reserve Corporation	30,000,000	11,102,060	18,521,706	20,279,546
HarbourVest Partners	20,000,000	35,500,000	4,500,000	4,485,749
Hellman & Friedman	25,000,000	12,371,772	12,567,684	12,912,906
Highway 12 Investors	10,000,000	7,502,483	2,158,305	1,991,776
Industry Ventures	10,000,000	1,713,913	6,909,491	7,768,251
J.C. Flowers & Co	25,000,000	3,452,768	18,207,293	12,963,283
JLL Partners	25,000,000	8,530,218	13,424,148	19,222,145
Lehman Brothers, Inc.	50,000,000	26,268,181	17,469,586	22,667,557
Lexington Capital Partners	110,000,000	33,530,880	30,463,525	54,877,081
Madison Dearborn	75,000,000	28,335,868	39,887,294	51,042,289
MatlinPatterson Global Advisers	30,000,000	17,250,000	12,370,624	15,050,621
MHR Institutional Investors	25,000,000	13,500,000	10,788,757	12,325,993
Oak Hill Capital Partners	45,000,000	20,734,964	22,287,066	28,272,370
Oaktree	110,000,000	32,375,000	2,625,001	3,052,739
Odyssey	25,000,000	7,174,462	11,245,894	13,453,643
Performance Equity Management	25,000,000	25,000,000	0	0
Portfolio Advisors	55,000,000	37,725,244	15,754,779	16,336,245
Quintana Energy Partners	15,000,000	5,699,748	8,791,401	8,422,285
Siguler Guff	25,000,000	18,761,754	5,708,022	5,390,228
Terra Firma Capital Partners	25,432,997	12,070,565	12,173,472	13,310,846
Welsh Carson	<u>75,000,000</u>	<u>17,317,661</u>	<u>42,043,054</u>	<u>55,295,005</u>
<b>Total MPEP Commitments</b>	<b>\$ <u>1,370,562,261</u></b>	<b>\$ <u>522,717,224</u></b>	<b>\$ <u>595,208,532</u></b>	<b>\$ <u>698,288,888</u></b>

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The table below shows the remaining Board commitments to Private Real Estate Funds.

**MTRP Commitments as of June 30, 2008**

<b><u>Fund Manager Name</u></b>	<b><u>Original Commitment</u></b>	<b><u>Commitment Remaining</u></b>	<b><u>Carrying Value</u></b>	<b><u>Fair Value</u></b>
ABR Chesapeake Fund III	\$ 20,000,000	\$ 6,000,000	\$ 13,845,514	\$ 14,534,204
AG (Angelo Gordon) Realty Fund VII	20,000,000	16,400,000	3,600,000	3,189,233
AG Core Plus Realty Fund II	20,000,000	14,800,000	4,881,597	4,674,090
Apollo Real Estate Finance Corp.	20,000,000	15,202,000	4,798,000	4,718,134
Beacon Capital Partners Fund V	25,000,000	12,500,000	12,500,000	12,097,988
Carlyle Europe Real Estate Partners III	29,920,000	28,317,835	6,343,764	6,093,312
CIM Fund III	25,000,000	23,262,899	653,372	482,560
DRA Advisors VI	35,000,000	22,030,393	10,272,803	10,272,803
Hudson Realty Capital Fund IV	25,000,000	3,500,000	21,500,000	21,804,333
Liquid Realty Fund IV	30,000,000	17,686,808	9,239,713	9,743,093
Macquarie Global Property Fund III	30,000,000	23,732,639	3,794,964	3,670,929
Morgan Stanley Real Estate Fund VI International	25,000,000	10,739,287	13,600,275	11,768,644
O'Connor North American Property Partners II	15,000,000	9,380,925	5,619,075	5,619,075
Rothschild: Five Arrows Realty Securities Fund V	30,000,000	18,007,775	2,499,076	2,496,345
Strategic Partners Value Enhancement Fund	19,200,000	4,755,761	13,724,239	15,535,632
TA Associates Realty Fund VIII	20,000,000	3,985,645	16,000,000	16,540,560
<b>Total MTRP Commitments</b>	<b><u>\$ 389,120,000</u></b>	<b><u>\$ 230,301,967</u></b>	<b><u>\$ 142,872,392</u></b>	<b><u>\$ 143,240,935</u></b>

#### **4. TYPES OF INVESTMENTS**

**Bond Pools and AOF Investments** – The RFBP, TFBP and AOF fixed income portfolios include corporate and foreign government bonds; U.S. government direct obligations and U.S. government agency securities; and cash equivalents. U.S. government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. government. U.S. government agency securities include U.S. government agency and mortgage-backed securities. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages.

The bond Pools also include structured financial instruments known as REMIC securities (Real Estate Mortgage Investment Conduits). These investments are pass-through vehicles for multi class mortgage-backed securities and some may be interest-only strips (IO). These investments represent the separate purchase of the principal and interest cash flows of a mortgage security and receive cash flows from the interest payment component on underlying mortgage loans. These securities are identified and reported as U.S. government agency in the investment risk and portfolio disclosures.

**Public Equity Pools** -The public equity Pools may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR), equity derivatives, and commingled funds. Common stock represents ownership units (shares) of a public corporation. Common stock owners may vote on director selection and other important matters and receive dividends if the company pays dividends. Equity index investments are comprised of shares in institutional commingled funds with equity portfolios that match a broad based index or specific industry composite. Preferred stocks pay dividends at a specified rate and have preference in the payment of dividends and liquidation of assets. Preferred stock holders do not usually have voting rights.

Convertible securities permit the holder to exchange, or “convert” the instrument for other securities of the issuer or of another issuer. This definition most often applies to preferred stocks or corporate bonds carrying the right to exchange for a fixed number of shares of the issuer’s common stock. ADR investments are receipts issued by a U.S. depository bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depository bank. Equity derivatives, such as futures and options, “derive” their value from underlying equity

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instruments. An institutional commingled fund combines assets from several institutional investors that are blended or pooled together, to reduce management and administration costs. The investor buys shares in the fund.

The MDEP portfolio is limited to domestic stock or ADR investments, while the MTIP portfolio may include holdings of securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. The MTIP portfolio invests in both developed and emerging markets.

**Alternative Investment Pools** - The Montana Private Equity Pool (MPEP) may include venture capital, leveraged buyout, mezzanine, distressed debt, special situation and secondary investments. These investments are made via Limited Partnership Agreements in which the Board and other institutional investors invest as Limited Partners in funds managed by a General Partner. These investments are riskier with higher potential return than public equity investments and are less liquid because the funds are usually committed for at least 10 years. Because of the risk and illiquidity, these investments are limited to sophisticated investors only.

The private Montana Real Estate Pool (MTRP) includes investments in core, value-added, and opportunistic real estate. Core investments are the least risky with the lowest return and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk and return and are less liquid than core investments. These investments are usually made through Limited Partnership Agreements. The MTRP invests its cash in STIP.

**STIP** - This Pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days. Although it is not registered with the Securities and Exchange Commission (SEC) as an investment company, STIP is managed consistent with the SEC rule 2a7 of the Investment Company Act of 1940. As a 2a7-like pool, the STIP utilizes an amortized cost unit value to report net assets. The portfolio may include asset-backed securities, commercial paper, corporate, U.S. government direct obligations, U.S. government agency securities, repurchase agreements, institutional money market funds, certificates of deposit and variable-rate (floating-rate) instruments. Investments must have a maximum maturity of 397 days or less unless they have rate reset dates. The portfolio is carried at amortized cost or book value with a constant unit value of \$1.00.

Asset-backed securities are debt securities collateralized by a pool of mortgage and non-mortgage assets such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. Commercial paper issued at a discount, direct or by brokers, is backed by bank credit lines. U.S. government direct-backed securities include direct obligations of the U.S. Treasury and obligations explicitly guaranteed by the U.S. government. U.S. government indirect-backed obligations include U.S. government agency and mortgage-backed securities. Repurchase agreements (REPO) represent an agreement between a seller and a buyer, usually of U.S. government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable-rate (floating-rate) securities pay a variable rate of interest until maturity. The STIP portfolio's variable-rate securities float with LIBOR (London Interbank Offered Rate).

**AOF** - In addition to fixed income investments, the AOF portfolio includes an equity index fund, real estate buildings, commercial loans and residential mortgages. Equity index investments are investments in selected mutual funds whose equity portfolios match a broad based index or composite.

The AOF Montana mortgages and loans receivable represent residential mortgages and commercial loans funded by the Public Employees' and Teachers' pension funds and the Coal Severance Tax Trust fund. The Coal Severance Tax Trust loan portfolio includes loans made by the Montana Science and Technology Alliance (MSTA) Board. The MSTa Board was abolished on July 1, 1999 and the MSTa portfolio was assigned to the Board. (See Note 11) for the Montana mortgages and loans portfolio). There are no uncollectible account balances for Montana mortgages and loans receivable as of June 30, 2008 and 2007.

## **5. SECURITIES LENDING**

The Board is authorized by law to lend its securities and has contracted with the custodial bank, State Street Bank and Trust "the Bank", to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. The Board and the bank split the earnings on security lending activities.

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During fiscal years 2008 and 2007, the custodial bank lent Board public securities and received U.S. dollar and foreign currency cash, securities issued or guaranteed by the U.S. government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The custodial bank cannot pledge or sell collateral securities unless the borrower defaults. The Board imposed no restrictions on the amount of securities available to lend during fiscal years 2008 and 2007. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period. Also, there were no losses resulting from a borrower default.

During fiscal years 2008 and 2007, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust had an average duration of 41 and 66 days, respectively, as of June 30, 2008 and 2007. The Quality D Trust had an average duration of 42 and 68 days, respectively, as of June 30, 2007 and 2006. Because the loans were terminable at will, their duration generally did not match the duration of the investments made with cash collateral. At year-end 2008 and 2007, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed. The private equity and real estate Pools do not participate in securities lending. The Pool and AOF securities on loan, at fair value, and the collateral pledged are shown below.

<b>Pool/AOF</b>	<b>Fair Value On Loan 6/30/08</b>	<b>Collateral Cash</b>	<b>Collateral Securities</b>	<b>Collateral Total</b>
Retirement Funds Bond Pool (RFBP)	\$ 757,648,616	\$ 100,299,351	\$ 673,980,520	\$ 774,279,871
Trust Funds Bond Pool (TFBP)	523,354,390	86,356,146	448,208,570	534,564,716
Montana Domestic Equity Pool (MDEP)	297,267,013	281,984,538	23,804,824	305,789,362
Montana International Equity Pool (MTIP)	121,418,250	76,460,958	50,812,599	127,273,557
Short Term Investment Pool (STIP)	389,544,349	101,755,298	295,637,500	397,392,798
All Other Funds (AOF) Investments Managed	<u>446,160,367</u>	<u>189,347,552</u>	<u>265,784,180</u>	<u>455,131,732</u>
<b>Total</b>	<b><u>\$ 2,535,392,985</u></b>	<b><u>\$ 836,203,843</u></b>	<b><u>\$ 1,758,228,193</u></b>	<b><u>\$ 2,594,432,036</u></b>

<b>Pool/AOF</b>	<b>Fair Value On Loan 6/30/07</b>	<b>Collateral Cash</b>	<b>Collateral Securities</b>	<b>Collateral Total</b>
Retirement Funds Bond Pool (RFBP)	\$ 612,237,767	\$ 86,995,499	\$ 538,088,375	\$ 625,083,874
Trust Funds Bond Pool (TFBP)	449,744,374	61,184,725	\$ 397,968,750	459,153,475
Montana Domestic Equity Pool (MDEP)	167,729,961	169,065,232	\$ 3,279,200	172,344,432
Montana International Equity Pool (MTIP)	184,229,316	145,724,118	\$ 45,487,112	191,211,230
Short Term Investment Pool (STIP)	30,305,594	-	\$ 30,918,750	30,918,750
All Other Funds (AOF) Investments Managed	<u>300,291,105</u>	<u>235,940,297</u>	<u>\$ 69,739,224</u>	<u>305,679,521</u>
<b>Total</b>	<b><u>\$ 1,744,538,117</u></b>	<b><u>\$ 698,909,871</u></b>	<b><u>\$ 1,085,481,411</u></b>	<b><u>\$ 1,784,391,282</u></b>

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Securities lending income and expenses are shown below.

<u>Pool/AOF</u>	<b>Fiscal Year 2008</b>		
	<u>Gross Income</u>	<u>Expenses</u>	<u>Net Income</u>
Retirement Funds Bond Pool (RFBP)	\$ 5,591,740	\$ 4,349,359	\$ 1,242,381
Trust Funds Bond Pool (TFBP)	4,682,296	3,704,509	977,787
Montana Domestic Equity Pool (MDEP)	13,405,691	11,571,573	1,834,118
Montana International Equity Pool (MTIP)	5,207,845	3,873,964	1,333,881
Short Term Investment Pool (STIP)	3,187,854	2,494,740	693,114
All Other Funds (AOF) Investments Managed	<u>10,059,739</u>	<u>8,618,135</u>	<u>1,441,604</u>
<b>Total</b>	<b><u>\$ 42,135,165</u></b>	<b><u>\$ 34,612,280</u></b>	<b><u>\$ 7,522,885</u></b>

<u>Pool/AOF</u>	<b>Fiscal Year 2007</b>		
	<u>Gross Income</u>	<u>Expenses</u>	<u>Net Income</u>
Retirement Funds Bond Pool (RFBP)	\$ 5,366,381	\$ 5,244,886	\$ 121,495
Trust Funds Bond Pool (TFBP)	2,398,706	2,342,988	55,718
Montana Domestic Equity Pool (MDEP)	4,493,577	4,275,510	218,067
Montana International Equity Pool (MTIP)	5,066,447	4,620,839	445,608
Short Term Investment Pool (STIP)	148,142	147,317	825
All Other Funds (AOF) Investments Managed	<u>9,416,180</u>	<u>9,322,249</u>	<u>93,931</u>
<b>Total</b>	<b><u>\$ 26,889,433</u></b>	<b><u>\$ 25,953,789</u></b>	<b><u>\$ 935,644</u></b>

**6. INVESTMENT RISK DISCLOSURES**

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

**Credit Risk** - Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. With the exception of the U.S. government securities, the RFBP, TFBP and AOF fixed income instruments have credit risk as measured by major credit rating services. This risk is that the issuer of a fixed income security may default in making timely principal and interest payments. The Board of Investments' policy requires RFBP, TFBP and AOF fixed income investments, at the time of purchase, to be rated an investment grade as defined by Moody's or by Standard & Poor's (S&P) rating services. The U.S. government securities are guaranteed directly or indirectly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the tables below are provided by the S&P rating services. If an S&P rating is not available, a Moody's rating has been used.

**Custodial Credit Risk** - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Board may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2008 and 2007, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for the Montana Board of Investments and held in the possession of the Board's custodial bank, State Street Bank. The Equity Index, US Bank repurchase agreement, Real Estate, Mortgage and Loan investments were purchased and recorded in the Board's name. Commingled fund investments are registered in the name of the Montana Board of Investments.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are

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excluded from the concentration of credit risk requirement.

Although the RFBP Investment Policy does not address concentration of credit risk, the TFBP Investment Policy states: “with the exception of U.S. government/agency securities, additional purchases will not be made in a credit if the credit risk exceeds 2 percent of the portfolio at the time of purchase”. The RFBP had concentration of credit risk exposure to the Federal National Mortgage Association (Fannie Mae) of 9.62% as of June 30, 2008 and 9.22% restated from less than 5% as of June 30, 2007, while the TFBP had concentration of credit risk exposure to the same issuer of 12.96% as of June 30, 2008 and 10.96% restated from less than 5% as of June 30, 2007. The RFBP had concentration of credit risk exposure to the Federal Home Loan Mortgage Corp. (Freddie Mac) of 23.01% as of June 30, 2008 and 24.64% restated from 5.39% as of June 30, 2007, while the TFBP had concentration of credit risk exposure to the same issuer of 22.79% as of June 30, 2008 and 25.96% restated from 10.10% as of June 30, 2007. The concentration of credit risk restatements resulted from a change in methodology.

With the exception of one fund, the 19 investment policy statements for various AOF state agencies do not address concentration of credit risk. One fund requires credit risk to be limited to 3 percent in any one name except AAA rated issues will be limited to 6%. This fund also has specific client preferences. Investments by various state agencies, pooled as the All Other Funds, are excluded from the concentration of credit risk requirement.

MDEP - As of June 30, 2008 and 2007, there were no single issuer investments that exceeded 5% of the MDEP portfolio.

STIP - The STIP had concentration of credit risk exposure to the Federal Home Loan Bank of 6.86%, Federal National Mortgage Association (Fannie Mae) of 7.55 % and the Federal Home Loan Mortgage Corp. (Freddie Mac) of 5.71% as of June 30, 2008. The STIP portfolio, by issuer, had no concentration of credit risk exposure as of June 30, 2007.

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**Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The MPEP, MTRP and MTIP U.S. dollar cash and equity positions, by currency, are reported in the tables below.

**MPEP and MTRP Investment by Foreign Currency**

<u>Currency</u>	<u>Fund Manager Name</u>	<u>2008</u>		<u>2007</u>	
		<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
EURO	Terra Firma Fund III	\$ 12,173,472	13,310,847	\$ 52,090	0
EURO	Carlyle Europe Real Estate Partners III	<u>6,343,764</u>	<u>6,093,312</u>	<u>0</u>	<u>0</u>
<b>Total MPEP and MTRP</b>		\$ <u><b>18,517,236</b></u>	<u><b>19,404,158</b></u>	# <u><b>52,090</b></u>	<u><b>0</b></u>

**MTIP Cash by Currency**

<u>Cash</u>	<u>2008</u>		<u>2007</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Australian Dollar	\$ 388,969	\$ 392,722	\$ 783,649	\$ 793,356
Brazilian Real	18,417	18,974	392	394
Canadian Dollar	729,945	732,038	17,288	17,519
Danish Krone	64,175	66,795	52,320	52,305
Hong Kong Dollar	1,278,638	1,280,107	320,105	319,990
Indonesian Rupiah	697	701	-	-
Hungarian Forint	-	-	23,887	24,173
Euro	2,529,837	2,565,670	1,260,859	1,268,195
Israeli Shekel	17,983	18,058	9,087	9,146
Japanese Yen	1,814,509	1,829,773	3,026,127	2,984,194
South Korean Won	8,686	8,651	43,322	43,384
Malaysian Ringgit	13,344	13,381	27,370	27,337
Mexican Peso	69,810	70,029	1,907	1,906
New Zealand Dollar	7,480	7,075	-	-
Norwegian Krone	495,854	503,343	438,783	447,978
Philippine Peso	638	636	-	-
Polish Zloty	477	489	-	-
Singapore Dollar	471,294	475,107	86,407	86,409
Swedish Krona	863,157	883,046	72,304	71,973
Swiss Franc	47,494	49,286	544,770	540,157
New Taiwan Dollar	73,658	73,838	62,470	62,997
Thailand Baht	6,001	5,997	12,169	12,176
Turkish Lira	288	290	3,802	3,812
UK British Pound	464,024	468,669	383,867	388,486
US Dollar	<u>3,937</u>	<u>3,937</u>	<u>188</u>	<u>188</u>
<b>Total Cash</b>	\$ <u><b>9,369,313</b></u>	\$ <u><b>9,468,612</b></u>	\$ <u><b>7,171,073</b></u>	\$ <u><b>7,156,075</b></u>



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**MTIP Equities by Currency**

<u>Securities</u>	<b>2008</b>		<b>2007</b>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Australian Dollar	35,668,174	47,035,005	38,279,708	50,915,926
Brazilian Real	6,283,707	6,965,888	1,764,304	1,981,024
Canadian Dollar	41,840,802	49,716,338	29,320,055	35,890,007
Czech Koruna	418,951	769,564	-	-
Danish Krone	8,647,759	12,176,042	9,316,434	13,037,001
Euro-Austria	12,591,907	13,804,890	10,412,698	13,930,219
Euro-Belgium	12,405,503	8,427,354	7,408,223	8,488,887
Euro-Finland	15,820,495	15,418,566	11,822,681	14,315,298
Euro-France	73,476,141	67,502,708	85,086,140	100,730,411
Euro-Germany	71,763,475	78,858,322	67,373,715	84,083,860
Euro-Greece	6,809,661	6,768,565	6,420,397	7,999,225
Euro-Ireland	591,692	629,007	1,987,111	1,975,479
Euro-Italy	40,017,833	36,404,573	31,499,283	37,031,582
Euro-Netherlands	34,642,646	35,886,023	39,963,600	45,873,044
Euro-Portugal	2,510,681	2,616,331	2,213,129	2,884,776
Euro-Spain	34,179,576	34,032,983	18,128,964	20,443,255
<b>Euro-Subtotal</b>	<b>304,809,610</b>	<b>300,349,321</b>	<b>282,315,941</b>	<b>337,756,036</b>
Hong Kong Dollar	44,311,905	44,072,366	25,240,441	34,255,197
Indonesian Rupiah	1,462,993	1,404,300	741,044	982,562
Hungarian Forint	-	-	1,375,386	2,003,487
Israeli Shekel	1,322,599	1,972,933	1,817,817	1,871,608
Japanese Yen	175,132,645	168,174,661	165,809,915	186,819,142
South Korean Won	17,699,117	18,269,893	21,988,142	29,199,894
Malaysian Ringgit	1,922,403	1,857,066	3,921,885	4,493,461
Mexican Peso	5,722,857	5,914,973	6,373,053	6,854,022
New Zealand Dollar	344,101	244,630	371,062	438,522
Norwegian Krone	10,467,297	13,130,710	6,565,909	10,320,168
Philippine Peso	1,108,064	1,099,907	639,398	1,226,819
Polish Zloty	924,737	997,288	567,298	768,410
Singapore Dollar	11,685,220	13,421,869	11,107,459	14,983,915
South African Rand	4,466,878	4,657,980	1,596,750	1,850,274
Swedish Krona	9,726,554	8,781,470	21,940,872	23,603,481
Swiss Franc	40,893,896	42,437,671	54,609,564	61,902,461
New Taiwan Dollar	8,325,947	8,560,020	5,567,126	7,360,087
Thailand Baht	2,096,267	2,082,642	4,546,002	5,404,292
Turkish Lira	1,403,549	1,744,517	2,506,283	3,568,453
UK Pound Sterling	135,918,845	129,715,160	125,242,587	141,522,337
<b>Total Equity</b>	<b>872,604,877</b>	<b>885,552,215</b>	<b>823,524,436</b>	<b>979,008,586</b>

**Interest Rate Risk** - Bond Pool and AOF interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The AOFs' investment policies do not formally address interest rate risk. In accordance with GASB Statement No. 40, the Board utilizes the effective duration method to disclose interest

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rate risk for the Bond Pool and AOF portfolios. This method provided by the custodial bank is “An option-adjusted measure of a bond’s (or portfolio’s) sensitivity to changes in interest rates. Duration is calculated as the average percentage change in a bond’s value (price plus accrued interest) under shifts of the Treasury curve plus/minus 100 basis points. The effective duration method incorporates the effect of the embedded options for bonds and changes in prepayments for mortgage-backed securities (including pass-through securities, CMO, and ARM securities).”

Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables, and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets.

As reported in the U.S. government agency category, the RFBP portfolio held REMIC securities totaling \$249,844 and \$303,613 at amortized cost, respectively, as of June 30, 2008 and June 30, 2007, while the TFBP portfolio held REMIC securities totaling \$46,806 and \$57,019 at amortized cost respectively. REMICs (Real Estate Mortgage Investment Conduits) are pass-through vehicles for multiclass mortgage-backed securities. These securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages.

Interest Only (IO) securities are more sensitive to prepayments by mortgagees resulting from interest rate changes than other REMIC securities. The IO REMIC securities purchased by the RFBP in August and September 1992 carry an amortized cost of \$3 as of June 30, 2007. These securities matured in August and September 2007.

As of June 30, 2007, the RFBP and TFBP each held one inverse variable rate corporate \$25 million and \$15 million par bond respectively. The quarterly coupon is calculated at an increased set rate less the 12 month LIBOR in arrears. As interest rates increase, the coupon paid will decline. This security was sold in March 2008.

The Bond Pools and AOF portfolio fixed income securities pay a fixed rate of interest until maturity while the variable rate (floating rate) securities pay a variable rate of interest until maturity. As of June 30, 2008, these portfolios held six variable rate issues. These securities float with LIBOR (London Interbank Offered Rate). See Note 17 for the Year End Portfolios.

As of June 30, 2008 and 2007, the Bond Pools and AOF portfolio held five Collateralized Debt Obligations (CDO). A CDO is security backed by a pool of bonds, loans and other assets. CDOs do not specialize in one type of debt but are often non-mortgage loans or bonds. These CDO positions, totaling \$135 million par, are categorized as rated corporate debt in the three portfolios.

Bond Pool and AOF investments are categorized below to disclose credit and interest rate risk as of June 30, 2008 and June 30, 2007. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using effective duration. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

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**RFBP Credit Quality Rating and Effective Duration as of June 30, 2008**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 996,726,110	A	4.77
Corporate Bonds (Unrated)	13,016,381	NR	6.43
U.S. Government Direct Obligations	127,133,284	AAA	5.23
U.S. Government Agency	783,061,173	AAA	4.33
Short Term Investment Pool (STIP)	<u>71,764,367</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	\$ <u>1,991,701,315</u>	<u>AA</u>	<u>4.63</u>
Securities Lending Collateral Investment Pool	\$ <u>100,299,351</u>	NR	NA

**RFBP Credit Quality Rating and Effective Duration as of June 30, 2007**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 969,566,185	A	5.01
Corporate Bonds (Unrated)	8,030,395	NR	5.61
U.S. Government Direct Obligations	75,036,052	AAA	6.09
U.S. Government Agency	798,830,104	AAA	5.50
Short Term Investment Pool (STIP)	<u>113,252,415</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	\$ <u>1,964,715,151</u>	<u>AA</u>	<u>5.27</u>
Securities Lending Collateral Investment Pool	\$ <u>86,995,499</u>	NR	NA

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**TFBP Credit Quality Rating and Effective Duration as of June 30, 2008**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 747,118,821	A+	4.39
Corporate Bonds (Unrated)	5,390,715	NR	5.58
Municipal Government Bonds (Rated)	1,125,555	AA	7.92
Municipal Government Bonds (Unrated)	1,508,366	NR	4.94
U.S. Government Direct Obligations	113,103,058	AAA	6.72
U.S. Government Agency	632,681,246	AAA	4.60
Short Term Investment Pool (STIP)	<u>45,017,942</u>	<u>NR</u>	<u>N/A</u>
 Total Investments	 \$ <u>1,545,945,703</u>	 <u>AA</u>	 <u>4.66</u>
 Securities Lending Collateral Investment Pool	 \$ <u>86,356,146</u>	 NR	 NA

**TFBP Credit Quality Rating and Effective Duration as of June 30, 2007**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 672,495,745	A	4.75
Corporate Bonds (Unrated)	1,319,514	NR	0.94
Municipal Government Bonds (Rated)	1,180,500	AAA	1.85
Municipal Government Bonds (Unrated)	2,287,149	NR	4.74
U.S. Government Direct Obligations	47,634,484	AAA	8.78
U.S. Government Agency	587,139,201	AAA	5.56
Short Term Investment Pool (STIP)	<u>62,783,945</u>	<u>NR</u>	<u>NA</u>
 Total Investments	 \$ <u>1,374,840,538</u>	 <u>AA</u>	 <u>5.25</u>
 Securities Lending Collateral Investment Pool	 \$ <u>61,184,725</u>	 NR	 NA

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**AOF Credit Quality Rating and Effective Duration as of June 30, 2008**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 499,796,852	A+	3.68
U.S. Government Direct Obligations	63,654,728	AAA	5.56
U.S. Government Agencies	524,206,909	AAA	3.03
US Bank Sweep Repurchase Agreement*	<u>12,123,446</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	\$ <u>1,099,781,935</u>	<u>AA</u>	<u>3.06</u>
<u>Direct Investments</u>			
Equity Index Fund	\$ 87,443,325		
Real Estate	17,282,489		
MT Mortgages and Loans	<u>254,644,041</u>		
Total Direct Investments	\$ <u>359,369,855</u>		
<b>TOTAL INVESTMENTS</b>	\$ <u><b>1,459,151,790</b></u>		
Securities Lending Collateral Investment Pool	\$ <u>189,347,553</u>	NR	NA

\*At June 30, 2008, the US Bank repurchase agreement, per contract, was collateralized at 102% for \$12,368,170 by a Federal National Mortgage FNCI maturing September 1, 2018. This security carries a AAA credit quality rating.

**AOF Credit Quality Rating and Effective Duration as of June 30, 2007**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
Corporate Bonds (Rated)	\$ 440,549,099	A+	3.89
U.S. Government Direct Obligations	59,915,749	AAA	4.62
U.S. Government Agencies	517,414,883	AAA	3.30
US Bank Sweep Repurchase Agreement*	<u>18,255,027</u>	<u>NR</u>	<u>NR</u>
Total Fixed Income Investments	\$ <u>1,036,134,758</u>	<u>AA</u>	<u>3.63</u>
<u>Direct Investments</u>			
Equity Index Fund	\$ 100,545,339		
Real Estate	18,192,681		
MT Mortgages and Loans	<u>295,027,741</u>		
Total Direct Investments	\$ <u>413,765,761</u>		
<b>TOTAL INVESTMENTS</b>	\$ <u><b>1,449,900,519</b></u>		
Securities Lending Collateral Investment Pool	\$ <u>235,940,298</u>	NR	NA

\*At June 30, 2007, the US Bank repurchase agreement, per contract, was collateralized at 102% for \$18,628,275 by a Federal Home Loan Mortgage Corporation REMIC maturing April 15, 2034. This security carries a AAA credit quality rating.

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STIP investments are categorized below to disclose credit risk as of June 30, 2008 and June 30, 2007. Credit risk reflects the security quality rating by investment type, as of the June 30 report date. If a security investment type is unrated, the quality type is indicated by NR (not rated). Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated.

STIP interest rate risk is determined using the weighted average maturity (WAM) method. The WAM measure expresses investment time horizons – the time when investments are due and payable in months or years – weighted to reflect the dollar size of individual investments within an investment type. The WAM, calculated in months, for the STIP portfolio is disclosed below, as of June 30, 2008. The WAM is not available for the SIV securities.

**STIP Credit Quality Ratings and Weighted Average Maturity as of June 30, 2008**

<b>Security Investment Type</b>	<b><u>Amortized Cost</u></b>	<b><u>Credit Quality Rating</u></b>	<b><u>WAM in Months</u></b>
Commercial Paper	\$ 1,278,677,750	A1+	0.94
Corporate Variable-Rate	179,971,989	A1	1.60
Certificates of Deposit	79,997,934	A1+	3.27
U.S. Government Agency	439,007,788	A1+	3.57
Money Market Funds (Unrated)	149,352,667	NR	0.03
Money Market Funds (Rated)	55,000,000	A1+	0.03
Structured Investment Vehicles (SIV)	<u>140,000,000</u>	<u>D</u>	<u>NA</u>
<b>Total Investments</b>	<b>\$ <u>2,322,008,128</u></b>	<b><u>A1</u></b>	<b><u>1.52</u></b>
Securities Lending Collateral Investment Pool	\$ <u>101,755,297</u>	NR	

**STIP Credit Quality Ratings as of June 30, 2007**

<b>Security Investment Type</b>	<b><u>Amortized Cost</u></b>	<b><u>Credit Quality Rating</u></b>
Commercial Paper	\$ 1,854,755,464	A1+
Corporate Fixed	475,001,174	A1+
Corporate Variable-Rate	379,982,640	A1+
Municipal Variable Rate (Unrated)	5,000,000	NR
Money Market Funds (Rated)	25,000,000	A1+
U.S. Government Agency	<u>49,999,456</u>	A1+
<b>Total Investments</b>	<b>\$ <u>2,789,738,734</u></b>	<b><u>A1+</u></b>
Securities Lending Collateral Investment Pool	\$ <u>0</u>	NR

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**Legal and Credit Risk**

**STIP** - In January 2007, the Board purchased a \$25 million par issue of Orion Finance USA. In April 2007, the Board purchased two issues of Axon Financial Funding totaling \$90 million par and another \$25 million par issue of Orion Finance USA. As of June 30, 2007, these Structured Investment Vehicle (SIV) securities held in the STIP portfolio carried a combined amortized cost of \$139,991,131 representing 5.02% of the total portfolio. At the time of purchase and as of June 30, 2007, these four issues received the highest investment grade rating of AAA by Standard & Poors and Aaa by Moody's. As of June 30, 2008, these issues carried a D rating by Standard & Poors. On November 20, 2007, an insolvency event was declared by Axon Financial Funding. Orion Finance USA declared an insolvency event on January 14, 2008. On the January and April 2008 maturity dates, these securities matured at their amortized cost of \$140 million. The Board has determined that it is currently in the best interest of the STIP to continue to hold these securities in the investment portfolio.

These SIV securities are currently undergoing restructuring while the underlying securities in the vehicle generate cash to be offset against the securities. At this time, there is no certain date for completion of the restructuring, which will likely include the creation of new securities to replace the original securities.

Of the \$5,687,990 Interest Receivable total as of June 30, 2008, \$2,729,889 is attributable to the above securities for interest accrued to their respective maturity dates. Refer to Note 16 – Subsequent Events, page B-31, for additional information.

**Bond Pool** - As of June 30, 2007, Burlington Industries, Inc. presented a legal and credit risk to the Board. The RFBP and TFBP held Burlington Industries, Inc., \$6 million and \$4 million par respectively of a 7.25% bond maturing September 15, 2005. In September 2000, the company announced a reduction of stockholders equity. Due to an increasing senior bank line and declining credit trend, the bond ratings for this issue were downgraded, in May 2001, by the Moody's and Standard & Poor's rating agencies. During fiscal year 2001, the RFBP book value of Burlington Industries Inc. was reduced from the August 31, 2000 book value of \$5,609,640 to \$2,400,000 and the TFBP book value reduced from the August 31, 2000 book value of \$3,739,760 to \$1,600,000. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the RFBP book value was reduced again to \$1,200,000., while the TFBP book value was reduced to \$800,000. In October 2003, Burlington Industries, Inc. received court approval to sell its assets. Under the company's recovery plan, the RFBP received \$1,454,961 in August 2004 for its unsecured claim and the TFBP received \$969,974. This transaction reduced the RFBP book value to \$0 and generated a gain of \$254,961 and reduced the TFBP book value to \$0 and generated a gain of \$169,974. In February 2005 and May 2005, the RFBP received an additional \$208,771 and \$194,247, respectively, for its unsecured claim, while the TFBP received an additional \$139,180 and \$129,498, respectively. In May 2006, the RFBP received an additional payment of \$158,278, while the TFBP received an additional \$105,519. The RFBP and TFBP received the final distribution of \$74,177 and \$49,452 respectively in July 2007.

**AOF** - The Board is not aware of any legal risks regarding any AOF investments.

**7. STIP RESERVE**

This account was established in November 2007. Income is distributed to STIP participants based on accrued interest and discount amortization. To avoid distributing cash to participants based on accrued interest on certain SIVs that may be uncollectible; the accrued interest amount was deposited in this account. Additional accrued income was deposited in the account to pay for any incidental direct expenses incurred as a part of any SIV restructuring activity not to be paid from SIV assets. Accrued income was also deposited in the account to offset any potential principal loss on these securities in the future.

**8. DEUTSCHE BANK SECURITIES, INC. COMPLAINT**

The Board received a summons and complaint, dated September 3, 2002, regarding the RFBP and TFBP sale of a Pennzoil Quaker State, \$5 million par, 6.75% corporate bond maturing April 1, 2009 of \$5 million and \$8 million par respectively. Deutsche Bank Securities claimed a "breach of contract" for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities sought damages of \$538,632 and \$861,811 from the RFBP and TFBP respectively for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The Board tendered the Pennzoil Quaker State holdings on

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October 8, 2002 at a price of \$113,099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the RFBP received \$5,683,075 in principal and interest plus a \$150,000 consent fee, while the TFBP received \$9,092,920 in principal and interest plus a \$240,000 consent fee.

On December 11, 2003, the Supreme Court of the State of New York, New York County, entered an order dismissing Deutsche Bank's complaint on jurisdictional grounds. Deutsche Bank appealed that decision to the Appellate Division, which on June 14, 2005 reversed the Supreme Court and entered an order determining the Board to be liable and remanding the matter back to the Supreme Court for a determination of damages. The Board appealed that decision to the New York Court of Appeals, which on June 6, 2006 affirmed the Appellate Division's decision. The Board petitioned for certiorari to the United States Supreme Court on certain jurisdictional issues but the Court did not act. On March 28, 2007, the Board reached a settlement of \$666,600 and \$1,066,800 respectively for the RFBP and TFBP.

**9. COAL TAX LOAN AND MORTGAGE COMMITMENTS**

The Board makes firm commitments to fund loans from the Coal Severance Tax Trust fund. These commitments have expiration dates and may be extended according to the Board's policies. As of June 30, 2008, the Board had committed but not yet purchased \$26,138,839 in loans from Montana lenders, compared to \$12,042,000 as of June 30, 2007. In addition to the above commitments, lenders had reserved \$7,474,356 for loans as of June 30, 2008, compared to \$40,754,872 on the same date in 2007.

The Board makes reservations to fund mortgages from the Public Employees' and Teachers' retirement funds. As of June 30, 2008, mortgage reservations totaled \$394,947. As of June 30, 2007, mortgage reservations totaled \$791,491. Effective December 1, 2005, all Board residential mortgage purchases are processed by the Montana Board of Housing (MBOH). The MBOH does not differentiate between a mortgage reservation and a funding commitment.

**10. PENSION FUND REAL ESTATE INVESTMENTS**

**100 North Park Building**

In January 1996, the Board, purchased for the Public Employees' and Teachers' Retirement funds portfolios, the 100 North Park Avenue Building in Helena, Montana as a real estate investment. Acquired for a cost of \$4,864,326, the building carries a fair value of \$6,582,860 as of June 30, 2008. During fiscal year 2008, building improvements for build-outs, HVAC improvements, and leasing fees totaling \$81,989 were added to the cost of the building. Building improvements for build-outs, heating/cooling, and leasing fees totaling \$352,187 were included in the cost of the building in fiscal year 2007. The three-story building provides office space for six tenants.

**2401 Colonial Drive Building**

In August 1997, the Board authorized the construction of an office building as a real estate investment in the Public Employees' and Teachers' Retirement funds portfolios. Construction costs, including interest capitalization, totaled \$6,481,741 as of June 30, 2000. For fiscal year 2008, \$51,992 was capitalized for sprinkler system and heating/cooling system improvements. In fiscal year 2007, a composite plan of building and heating/cooling system improvements of \$99 were added to the building cost. The three-story building, providing office space for three tenants, was occupied in November 1999. As of June 30, 2008, the building carries a cost and fair value of \$7,235,942 and \$7,776,349, respectively.

**2273 Boot Hill Court Building**

In August 1999, the Board authorized the purchase of a new office building in Bozeman, Montana. Upon building completion, the Board purchased the building for the Public Employees' and Teachers' Retirement funds portfolios in March 2004, for \$2,051,032. In fiscal year 2008 and 2007, there were no improvements made to this building. The building, located on state school trust land, is occupied by four state agencies. As of June 30, 2008, the building carries a fair value of \$2,123,654.

**1712 Ninth Avenue Building**

In November 2000, the Land Board authorized the transfer of the Public Employees' Retirement Administration (PERA) office building, located at 1712 Ninth Avenue, Helena, to the Board. By issuance of a corrective deed, the Board was named owner and building manager for the use and benefit of the PERA. In fiscal year 2008, \$180 was



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capitalized for space pre-design. In fiscal year 2007, there were no improvements made to this building. As of June 30, 2008, the building, occupied by one tenant, is valued at \$579,626.

The schedule below details the minimum future rentals for the above buildings with non-cancelable operating leases as of June 30, 2008 and 2007:

**Minimum future rentals for the year ending June 30, 2008:**

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014+</u>	<u>Total</u>
\$827,768	\$510,068	\$416,432	\$258,743	\$219,189	0	\$2,232,198

**Minimum future rentals for the year ending June 30, 2007:**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013+</u>	<u>Total</u>
\$933,825	\$591,639	\$531,938	\$415,526	\$256,222	\$261,313	\$2,990,461

**California Street Property**

In December 1998, the Board acquired a parcel of land adjacent to the Colonial Drive building for the Public Employees' and Teachers' Retirement funds portfolios to provide for additional parking. This land was purchased for \$204,835. For fiscal year 2008, there were no improvements made to this property. For fiscal year 2007, \$756 in filing fees were capitalized related to the purchase of the property. As of June 30, 2008 the property carries a fair value of \$220,000.

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**11. MONTANA MORTGAGES AND LOANS**

The Montana mortgages and loans portfolio is shown below.

<u>Montana Mortgages and Loans</u>	<u>2008 Book Value</u>	<u>2007 Book Value</u>
<b>Residential Mortgages</b>	<b>\$ 59,702,382</b>	<b>68,837,530</b>
Science and Technology Alliance <sup>(1)</sup>	4,217,637	4,286,782
Montana University System	8,722,199	8,802,368
Department of Natural Resources <sup>(2)</sup>	0	11,573,605
Department of Justice	2,547,000	2,317,000
Montana Facility Finance	4,878,661	4,615,196
Local Government Infrastructure	19,951,844	18,859,692
Value-added Loans	14,305,523	17,760,734
Commercial Loans	<u>141,063,339</u>	<u>158,551,796</u>
<b>Permanent Coal Trust Loans</b>	<b>195,686,203</b>	<b>226,767,173</b>
<b>Total Montana Mortgages and Loans</b>	<b>\$ <u>255,388,585</u></b>	<b>\$ <u>295,604,703</u></b>

(1) The Montana Science and Technology Alliance (MSTA) loans include funding for research and development, mezzanine and seed capital loans.

(2) In accordance with Senate Bill 495 enacted by the 2001 Legislature, the Coal Severance Tax Permanent Trust loaned 483,604 TFBP shares, with a book value of \$46,366,904, to the Department of Natural Resources, Trust and Legacy fund on July 2, 2001. The loan proceeds were deposited in the Trust and Legacy Fund. A loan receivable was recorded in the Coal Severance Tax Permanent Trust and a corresponding liability was recorded in the Guarantee Fund, a General Fund sub-fund. The August 2002 Special Legislative Session approved the request to record this activity in a state special revenue fund of the Office of Public Instruction rather than in the Guarantee Fund. In fiscal year 2008, the Trust and Legacy Fund paid \$11,573,605 to the Coal Severance Tax Permanent Trust. These transactions reduced the TFBP shares on loan and corresponding book value to zero with the final payment in February 2008. During fiscal year 2007, the Trust and Legacy Fund paid \$19,473,459 to the Coal Severance Tax Permanent Trust reducing the TFBP shares on loan to 120,712 with a corresponding book value of \$11,573,605.

**12. LOAN GUARANTEES**

As of June 30, 2008, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Montana Facility Finance Authority total \$182,393,408. Board exposure to bond issues of the Enterprise Fund is \$98,390,000 while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority is \$84,003,408.

As of June 30, 2007, loan guarantees provided by the Coal Severance Tax Permanent Trust to the Enterprise Fund and the Montana Facility Finance Authority total \$186,630,336. Board exposure to bond issues of the Enterprise Fund is \$98,850,000 while exposure to bond issues, surety bonds and designated loans of the Facility Finance Authority is \$87,780,336.

**13. RFBP AND MDEP REORGANIZATION**

On May 14, 2008, the Board approved a staff recommendation to create a structure for the Retirement Funds Bond Pool for both internal and external asset management. In July 2008, four new managers were hired. The managers named include Reams Asset Management, Artio Global Management, Lehman Brothers Asset Management and Post Advisory Group. On October 1, 2008, Reams Asset Management was funded approximately \$200 million in cash and securities.

In February 2008, the three MDEP long/short (130/30) investment managers of Analytic Investors, JP Morgan and Martingale Asset Management were funded approximately \$400 million.

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On May 8, 2007, the Board approved a staff recommendation to diversify the Board's domestic equity exposure. The revised allocation involves four strategy categories that will be used as the framework for constructing the Large Cap portion of the MDEP. These categories are Passive, Enhanced Index, Style-based (Value and Growth), and Partial Long/Short. These actions resulted in funding five new external managers, in total, approximately \$827 million in August 2007. The new external managers are listed as follows:

Barrows, Hanley, Mewhinney & Strauss, Inc.  
Quantitative Management Associates  
Renaissance Investment Management

Columbus Circle Investors  
Rainier Investment Management

**14. ACCOUNTING CHANGE**

In prior years, the Board issued separate financial statements for each investment Pool. Beginning with the fiscal years ended June 30, 2007 and 2006, the Board prepared consolidated financial statements for all seven investment Pools. For fiscal years ended June 30, 2008 and 2007, the All Other Funds (AOF) investments managed and related receivable/payable activity has been included in the consolidated financial statements. A consolidated financial statement better represents the scope, diversity, and size of the Unified Investment Program.

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**15. RESTATEMENT**

The inclusion of the 2007 All Other Funds financial statements in the consolidated financial statements resulted in restatements for fiscal year 2007. The 2007 AOF Unrealized Gain/Loss of \$21,256,046, previously reported as a liability, is now included in the Changes in Current Value of Investments Managed reported as \$29,244,746. This change resulted in Total Liabilities restated as \$237,108,391 from \$258,364,437 and Net Investments Managed End of Year restated as \$1,464,944,207 from \$1,443,688,161 as previously reported. Net Investments Managed Beginning of Year, previously reported as \$1,497,211,566 is restated as \$1,490,937,993. Fiscal year 2007 Net Investment Income of \$223,798,158 was relabeled as Income Available for Distribution and Distribution. The table below illustrates the AOF 2007 restatement and subsequent inclusion in the 2007 consolidated statements. The column labeled AOF 2007 Restated is the difference between the 2007 Consolidated Restated and Reported amounts.

	<u>Consolidated Restated 2007</u>	<u>Consolidated Reported 2007</u>	<u>AOF Restated 2007</u>
<b>STATEMENT OF NET ASSET VALUE/INVESTMENTS</b>			
Cash	\$ 7,340,174	\$ 7,340,174	
Security lending cash collateral (Note 5)	698,909,871	462,969,574	\$ 235,940,297
Broker receivable for securities sold but not settled (Note 2B)	14,885,969	14,706,862	179,107
Dividend and interest receivable (Note 2E)	111,086,901	95,054,226	16,032,675
STIP investment portfolio at amortized cost (Note 2B)	2,789,738,734	2,789,738,734	
Investment portfolios at fair value (Note 2B)	10,649,795,613	9,199,895,094	1,449,900,519
Total assets (Note 2B)	\$ 14,271,757,262	\$ 12,569,704,664	\$ 1,702,052,598
Income due participants (Notes 2E)	34,290,689	34,290,689	
Broker payable for securities purchased but not settled (Note 2B)	62,138,718	62,138,718	
Security lending obligations (Note 5)	698,909,871	462,969,574	235,940,297
Security lending expense payable	3,061,325	1,932,668	1,128,657
Unrealized foreign exchange market gain (loss)	(82,281)	(82,281)	
Other payables	39,437	-	39,437
Administrative fee payable	3,437,740	3,437,740	
Total liabilities (Note 2B)	801,795,499	564,687,108	237,108,391
Net asset value/investments managed (Note 2B, 2C)	\$ 13,469,961,763	\$ 12,005,017,556	\$ 1,464,944,207
Pool Units Outstanding (Note 2B, 2C)	2,861,083,078	2,861,083,078	
<b>STATEMENT OF CHANGES IN INVESTMENTS MANAGED</b>			
Net asset value/investments, beginning of year	\$ 11,687,907,633	\$ 10,196,969,640	\$ 1,490,937,993
Value of pool units/investments purchased (Note 2D)	12,998,491,932	8,205,929,680	4,792,562,252
Value of pool units/investments sold/matured (Note 2D)	(12,162,345,767)	(7,314,195,416)	(4,848,150,351)
Increase (decrease) in AOF interest receivable	622,699	-	622,699
Increase (decrease) in AOF broker receivable	51,300	-	51,300
(Increase) decrease in AOF accounts payable	(7,441)	-	(7,441)
(Increase) decrease in AOF security lending expense payable	(316,991)	-	(316,991)
Changes in current value of investments managed (Note 2D)	945,558,398	916,313,652	29,244,746
Net asset value/investments managed, end of year	\$ 13,469,961,763	\$ 12,005,017,556	\$ 1,464,944,207
<b>STATEMENT OF INVESTMENT INCOME and DISTRIBUTION</b>			
Net realized gains (Note 2E)	\$ 163,514,964	\$ 11,278,625	\$ 152,236,339
Dividend/interest income (Note 2E)	351,407,967	280,878,955	70,529,012
Amortization/accretion (Note 2E)	97,264,829	95,549,702	1,715,127
Security lending income	26,889,433	17,473,253	9,416,180
Security lending expense	(25,953,789)	(16,631,540)	(9,322,249)
Administrative expenses (Note 2F)	(21,064,451)	(20,288,200)	(776,251)
Other expenses	(873,556)	(873,556)	
Income due participants, beginning of year	22,764,985	22,764,985	
Income available for distribution (Note 2E)	613,950,382	390,152,224	223,798,158
Distribution (Note 2E)	579,659,693	355,861,535	223,798,158
Income due participants, end of year (Note 2E)	\$ 34,290,689	\$ 34,290,689	\$

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**16. SUBSEQUENT EVENTS**

The Federal National Mortgage Association and Federal Home Loan Mortgage Corp. were put into conservatorship on September 7, 2008.

On September 14, 2008, Lehman Brothers filed for Chapter 11 bankruptcy. The Bond Pool and AOF portfolios held a \$15 million position in Lehman Brothers Holdings, Inc., 2.778%, 05/25/2010. The AOF portfolio includes a \$5 million position in Lehman Brothers Holdings, Inc., 5%, 01/14/2011. As of September 30, 2008, the book value of these bond positions was written down to 80% of par. On October 30, 2008, the book value of these bonds was further written down to 65% of par.

On September 16, 2008, the U.S. Government acquired 80% of AIG stock and extended \$85 billion in financing to the company. The loan will be repaid by the sale of AIG assets. The loan is collateralized by all the company's assets, valued at \$1.05 trillion as of June, 30, 2008. The two STIP AIG securities matured on July 21, 2008 and July 30, 2008.

On September 26, 2008, Washington Mutual filed for Chapter 11 bankruptcy. The bonds are now in default following the seizure of the bank by the Office of Thrift Supervision on September 25, 2008. The Bond Pool and AOF portfolios held a \$20 million position in Washington Mutual, Inc. 4.2%, 01/15/2010. On September 26, 2008, the Board sold \$10 million par, at a price of \$38, with an October 1, 2008 settlement date. This sale generated a loss of \$6.2 million. As of September 30, 2008, the book value of the remaining \$10 million bond position was written down to 85% of par. On October 20, 2008, the remaining \$10 million position was sold for a realized loss of \$1,684,700.

On October 30, 2008, the book value of the Galena CDO bonds was written down to 70% of par. The Bond Pool and AOF portfolios hold a \$25 million position in this security.

As of June 30, 2008, \$2,729,889 in accrued interest receivable was recorded in the STIP portfolio for Orion Finance USA and Axon Financial Funding. Refer to Note 6 – Investment Risk Disclosures, page B-25 for additional information. While payment of the Orion Finance USA interest receivable of \$903,922 remains unknown as of November 21, 2008, the Board received payment of \$1,825,967 on the Axon Financial Funding interest receivable on November 14, 2008.

In addition to the above interest receivable payment the Board also received payment of \$10,000,933 in principal and \$1,390,471 in interest compensation in excess of the accrued interest receivable from Axon Financial Funding. The November 14, 2008 Axon Financial Funding payment totaled \$13,217,371.

**17. YEAR END PORTFOLIOS**

The June 30, 2008 portfolios of the Pools and AOF are listed on the following pages. The security type percentage is based on the fair value or the amortized cost ratio of the specific security investment type to the total portfolio.

**RETIREMENT FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
SHORT TERM INVESTMENT POOL	NA	NA	71,764,367	71,764,367	71,764,367	3.60%
<b>Cash Equivalents</b>	<b>1 Issue(s)</b>		<b>71,764,367</b>	<b>71,764,367</b>	<b>71,764,367</b>	<b>3.60%</b>
AA / FT WORTH HQ FIN TR	5.500	10/05/10	3,677,348	3,677,348	3,856,251	0.19%
AOL TIME WARNER INC	6.750	04/15/11	10,000,000	10,259,003	10,203,973	0.51%
ACE INA HLDG INC	5.700	02/15/17	3,000,000	3,009,651	2,943,297	0.15%
AERO 1 HQ FIN TR	4.640	07/07/10	5,745,000	5,745,000	5,870,873	0.29%
AMERICA WEST AIRLS TR	7.930	01/02/19	3,959,008	3,959,008	3,904,135	0.20%
AMERICAN EXPRESS BK	6.000	09/13/17	6,000,000	5,986,475	5,800,994	0.29%
AMERICAN EXPRESS CENTURION BK	4.375	07/30/09	3,000,000	2,972,607	2,971,781	0.15%
AMERICAN GEN FIN CORP MTN	4.625	05/15/09	6,000,000	6,005,002	5,941,343	0.30%
AMERICAN GEN FIN CORP MTN	5.900	09/15/12	6,000,000	5,989,894	5,639,702	0.28%
ANHEUSER BUSCH COS INC	5.600	03/01/17	3,000,000	3,009,909	2,816,761	0.14%
ARIA CDO II JERSEY NO 1 LTD	VAR	10/10/12	25,000,000	25,000,000	24,933,750	1.25%

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<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
B J SERVICES	5.750	06/01/11	7,000,000	6,994,631	7,067,030	0.35%
BANC AMER COML MTG INC COML	5.381	01/15/49	15,000,000	15,054,264	14,722,232	0.74%
BANC AMER COML MTG TR	5.363	07/10/46	3,314,638	3,319,694	3,337,239	0.17%
BANC AMER COML MTG TR	5.185	09/10/47	8,506,790	8,516,714	8,529,398	0.43%
BANC AMER COML MTG TR 2007 2	5.634	04/10/49	9,000,000	9,035,139	8,878,972	0.45%
BANC AMER COML MTG TR	5.838	06/10/49	15,000,000	14,996,045	14,866,850	0.75%
BANC AMER COML MTG TR	5.546	09/10/12	15,000,000	15,067,692	14,759,889	0.74%
BEAR STEARNS COML MTG SECS TR	5.593	06/11/40	9,101,851	9,117,515	9,174,606	0.46%
BELLSOUTH CORP	4.750	11/15/12	2,000,000	1,997,331	1,961,966	0.10%
BELLSOUTH TELECOMM INC	6.300	12/15/15	10,467,400	11,132,748	10,960,253	0.55%
BISHOPSGATE CDO LTD	5.180	06/30/10	25,000,000	25,000,000	23,420,000	1.18%
BURLINGTON NORTHN + SANTA FE	4.575	01/15/21	2,147,148	2,089,828	2,032,591	0.10%
CIT GROUP INC	4.750	08/15/08	2,000,000	1,994,745	1,991,330	0.10%
CIT GROUP INC	5.800	07/28/11	6,000,000	5,997,456	5,070,000	0.25%
CSX CORP	7.900	05/01/17	5,000,000	5,071,886	5,297,892	0.27%
CSX CORP	5.750	03/15/13	9,000,000	8,980,136	8,911,331	0.45%
CVS CAREMARK CORP	5.750	06/01/17	6,000,000	5,908,254	5,863,840	0.29%
CANADIAN NATL RY CO	6.800	07/15/18	6,000,000	5,976,255	6,527,676	0.33%
CANADIAN PAC LTD	9.450	08/01/21	5,000,000	5,107,698	6,072,062	0.30%
CAPITAL ONE BK	5.000	06/15/09	6,000,000	5,997,834	5,978,972	0.30%
CAPITAL ONE FINL CORP	6.750	09/15/17	6,000,000	6,000,606	5,343,865	0.27%
CHICAGO + NORTH WESTERN RY	8.910	01/01/15	6,277,802	6,277,802	6,964,077	0.35%
CITIGROUP INC	6.200	03/15/09	5,000,000	4,975,482	5,052,785	0.25%
COMCAST CORP	7.050	03/15/33	3,000,000	3,252,146	2,989,195	0.15%
COMCAST CORP NEW	5.450	11/15/10	3,000,000	3,004,392	3,047,872	0.15%
COMM MTG TR	5.540	06/10/46	4,362,938	4,366,264	4,398,652	0.22%
CONOCOPHILLIPS CDA FDG CO I	5.625	10/15/16	7,000,000	6,999,536	7,088,281	0.36%
CONTINENTAL AIRLS PASS THRU TR	6.545	08/02/20	5,994,889	5,994,889	5,305,477	0.27%
CORPORATE PPTY INVS	7.875	03/15/16	12,000,000	12,034,250	12,850,541	0.65%
CREDIT SUISSE FIRST BOSTON USA	6.500	01/15/12	10,000,000	10,378,165	10,369,013	0.52%
DOT HEADQUARTERS II LEASE MTG	6.001	12/07/21	30,000,000	30,000,000	30,034,200	1.51%
DEER PARK REFINING L P	6.470	12/15/08	738,800	738,135	748,864	0.04%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,757,750	4,569,133	0.23%
DUN + BRADSTREET CORP DEL NEW	5.500	03/15/11	10,000,000	9,999,188	9,939,494	0.50%
EASTERN ENERGY LTD	7.250	12/01/16	5,000,000	4,962,155	5,891,980	0.30%
EL PASO NAT GAS CO	8.625	01/15/22	5,000,000	5,157,536	5,595,749	0.28%
ENTERGY ARK INC	4.500	06/01/10	7,000,000	6,988,124	6,809,956	0.34%
FPL ENERGY NATL WIND LLC	5.608	03/10/24	2,513,400	2,513,400	2,468,891	0.12%
FIRST CHICAGO CORP	6.375	01/30/09	4,000,000	3,977,518	4,079,378	0.20%
FIRST UN BK N C CHARLOTTE	5.800	12/01/08	6,000,000	5,971,865	6,042,530	0.30%
FLORIDA GAS TRANSMISSION CO	9.190	11/01/24	8,500,000	8,463,020	9,841,433	0.49%
FLORIDA PWR CORP	5.800	09/15/17	2,000,000	2,000,425	2,052,488	0.10%
FORD MTR CR CO	7.375	10/28/09	8,000,000	8,001,731	7,199,430	0.36%
FORTUNE BRANDS INC	5.375	01/15/16	4,000,000	3,981,025	3,705,185	0.19%
GE COML MTG CORP TR	5.417	12/10/49	15,000,000	15,056,546	14,731,629	0.74%
GSPA MONETIZATION TR	6.422	10/09/29	12,984,337	13,093,298	12,987,713	0.65%
GALENA CDO I CAYMAN IS NO 1LTD	VAR	01/11/13	12,000,000	12,000,000	7,681,200	0.39%
GAZPROM INTL S A	7.201	02/01/20	2,568,316	2,613,676	2,564,110	0.13%
GENERAL AMERN TRANSN CORP 94 1	8.420	01/01/15	5,855,184	5,855,184	6,280,571	0.32%
GENERAL ELEC CAP CORP	8.125	05/15/12	5,000,000	5,110,893	5,526,643	0.28%
GENERAL ELEC CAP CORP MTN	5.000	01/08/16	3,000,000	2,985,283	2,867,218	0.14%
GENWORTH FINL INC	5.650	06/15/12	5,000,000	4,998,934	4,755,050	0.24%

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GENWORTH GLOBAL FDG TRS SECD	5.125	03/15/11	5,000,000	4,992,372	4,850,530	0.24%
GEORGIA PWR CO	5.250	12/15/15	3,000,000	3,000,134	2,975,747	0.15%
GOLDMAN SACHS GROUP	5.300	02/14/12	3,000,000	2,997,653	2,976,399	0.15%
GREAT RIV ENERGY	5.829	07/01/17	13,000,000	13,000,000	13,000,177	0.65%
HSBC FIN CORP	5.500	01/19/16	10,000,000	9,965,980	9,563,706	0.48%
HSBC FIN CORP	5.900	06/19/12	5,000,000	4,994,567	5,045,360	0.25%
HAWAIIAN ELEC INDS INC MEDIUM	6.141	08/15/11	3,000,000	3,000,000	3,142,229	0.16%
HONEYWELL INTL INC	5.625	08/01/12	6,000,000	5,990,471	6,217,102	0.31%
ING SEC LIFE INSTL FDG	4.250	01/15/10	7,000,000	6,995,281	6,950,811	0.35%
INTL LEASE FIN CORP MTN	4.550	10/15/09	2,000,000	2,002,030	1,970,315	0.10%
INTERNATIONAL PAPER CO	4.000	04/01/10	4,000,000	4,000,441	3,822,301	0.19%
J P MORGAN CHASE COML MTG	4.555	06/12/41	12,000,000	11,999,893	11,987,838	0.60%
J P MORGAN CHASE COML MTG	3.053	01/15/38	1,353,155	1,350,515	1,337,391	0.07%
JERSEY CENT PWR + LT CO	5.650	06/01/17	5,000,000	4,984,444	4,786,248	0.24%
JOHNSON CTLS INC	5.250	01/15/11	2,000,000	1,990,213	2,005,087	0.10%
KCT INTERMODAL TRANSN CORP	6.884	08/01/18	2,974,133	2,974,133	3,197,981	0.16%
KERR MCGEE CORP	7.125	10/15/27	7,000,000	7,070,856	7,308,512	0.37%
KEYBANK NATL ASSN CLEVELAND OH	5.500	09/17/12	5,000,000	4,999,413	4,544,708	0.23%
KEYBANK NATL ASSN MTN	5.450	03/03/16	10,000,000	9,998,159	7,835,124	0.39%
KRAFT FOODS INC	4.125	11/12/09	2,000,000	1,997,338	1,981,333	0.10%
LEHMAN BROTHERS HLDGS INC	VAR	05/25/10	5,000,000	5,000,000	4,667,823	0.23%
MGIC INVT CORP WI	5.375	11/01/15	10,000,000	9,893,594	6,700,000	0.34%
ML CFC COML MTG TR	5.549	06/12/50	8,568,338	8,581,396	8,643,888	0.43%
MACMILLAN BLOEDEL LTD	7.700	02/15/26	10,000,000	9,864,480	10,892,907	0.55%
MARSH + MCLENNAN COS INC	7.125	06/15/09	7,000,000	6,999,236	7,079,665	0.36%
MCKESSON CORP NEW	5.250	03/01/13	4,000,000	3,986,916	3,912,617	0.20%
MEAD CORP	7.350	03/01/17	11,000,000	10,994,678	12,760,000	0.64%
MED MAP L L C	7.060	06/01/24	8,595,000	8,595,000	9,584,199	0.48%
MED MAP L L C COLO REV	7.000	06/01/24	5,730,000	5,730,000	6,361,962	0.32%
METLIFE INC	5.000	11/24/13	5,000,000	4,974,061	4,863,707	0.24%
METROPOLITAN LIFE GLOBAL MTN	4.250	07/30/09	3,000,000	2,999,677	2,991,798	0.15%
ML CFC COML MTG TR	5.590	09/12/49	15,000,000	15,071,162	14,704,894	0.74%
MOBIL CORP	5.940	01/15/19	7,115,226	7,115,226	7,701,907	0.39%
NATIONAL CITY BK CLEVELAND OH	5.800	06/07/17	5,000,000	4,982,848	3,775,000	0.19%
NEWS AMER INC	6.150	03/01/37	7,000,000	7,078,126	6,387,785	0.32%
NORFOLK SOUTHN CORP	7.700	05/15/17	6,000,000	6,018,411	6,700,816	0.34%
ONEOK PARTERS LP	6.850	10/15/37	3,000,000	3,094,044	2,914,883	0.15%
PPL ELEC UTILS CORP	6.450	08/15/37	3,000,000	2,999,214	2,856,303	0.14%
PPL MONT LLC	8.903	07/02/20	17,512,204	17,567,121	19,046,313	0.96%
PACIFIC BELL	7.250	11/01/27	6,000,000	5,967,382	6,023,760	0.30%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	8,000,000	8,024,396	8,166,555	0.41%
PENNSYLVANIA ELEC CO	6.050	09/01/17	3,000,000	2,991,836	2,911,030	0.15%
PROTECTIVE LIFE SECD TRS SECD	5.450	09/28/12	6,000,000	5,991,397	5,967,918	0.30%
PRUDENTIAL FINL INC	5.500	03/15/16	10,000,000	9,841,994	9,439,221	0.47%
PUBLIC SVC CO COLO	6.250	09/01/37	6,000,000	6,138,000	6,096,813	0.31%
PUGET SOUND PWR + LT CO	5.197	10/01/15	9,000,000	8,850,611	8,667,052	0.44%
RAS LAFFAN LIQUEFIED NAT GAS	5.298	09/30/20	9,000,000	8,538,437	8,325,278	0.42%
RAS LAFFAN LIQUEFIED NAT GAS	6.332	09/30/27	6,000,000	5,882,653	5,625,673	0.28%
SLM CORP	5.125	08/27/12	5,000,000	4,557,547	4,425,000	0.22%
SLM CORP	5.375	01/15/13	5,000,000	4,996,136	4,375,000	0.22%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	2,000,000	2,106,372	2,020,843	0.10%
SEARIVER MARITIME FINL HLDGS	0.000	09/01/12	30,000,000	24,848,303	24,631,204	1.24%

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SECURITY CAP GROUP INC	7.700	06/15/28	3,000,000	3,438,946	3,751,841	0.19%
SOUTHERN UN CO NEW	7.600	02/01/24	7,000,000	7,028,458	6,917,811	0.35%
SOUTHWEST GAS CORP	8.375	02/15/11	6,000,000	5,994,412	6,307,208	0.32%
SOUTHWEST GAS CORP	7.625	05/15/12	5,000,000	5,314,386	5,164,667	0.26%
SOUTHWESTERN BELL TEL CO	7.000	11/15/27	3,000,000	2,997,327	3,047,424	0.15%
SUNCOR ENERGY INC	6.500	06/15/38	3,000,000	3,008,658	2,892,866	0.15%
TTX CO MEDIUM TERM NTS BOOK	6.050	06/15/16	7,500,000	7,488,288	8,181,182	0.41%
TEXAS GAS TRANSMISSION CORP	7.250	07/15/27	3,000,000	2,809,510	3,158,369	0.16%
TIME WARNER INC	6.625	05/15/29	7,000,000	7,213,352	6,406,360	0.32%
TRANSCONTINENTAL GAS PIPE LINE	7.250	12/01/26	3,000,000	3,002,413	3,107,883	0.16%
TRAVELERS COS INC	5.375	06/15/12	3,000,000	2,984,092	2,977,215	0.15%
TRISTATE GEN + TRANS ASSN	6.040	01/31/18	6,639,360	6,687,469	6,502,860	0.33%
ULTRAMAR DIAMOND SHAMROCK CORP	7.200	10/15/17	3,000,000	2,987,123	3,096,007	0.16%
UNION PAC CORP	4.875	01/15/15	3,000,000	2,896,153	2,837,786	0.14%
UNION PAC CORP	6.150	05/01/37	3,000,000	2,818,904	2,797,510	0.14%
UNION PAC RES GROUP INC	7.050	05/15/18	12,000,000	11,951,854	13,372,922	0.67%
UNION PAC RR CO 2007 3 PTHRU	6.176	01/02/31	2,974,986	2,974,986	2,990,213	0.15%
UNION TANK CAR CO	7.450	06/01/09	5,000,000	5,000,000	5,188,255	0.26%
UNITEDHEALTH GROUP INC	4.875	04/01/13	3,000,000	2,884,380	2,875,290	0.14%
VERIZON COMMUNICATIONS INC	5.500	04/01/17	3,000,000	2,981,696	2,892,287	0.15%
VERIZON NORTH INC	5.634	01/01/21	6,000,000	5,799,575	5,356,765	0.27%
VIRGINIA ELEC + PWR CO	5.400	01/15/16	10,000,000	9,951,306	9,768,580	0.49%
WASHOVIA BK NATL ASSN	5.600	03/15/16	10,000,000	9,989,384	9,298,144	0.47%
WASHINGTON MUT INC	4.200	01/15/10	9,000,000	8,995,814	7,920,000	0.40%
WELLPOINT INC	5.875	06/15/17	7,000,000	6,955,082	6,760,178	0.34%
WESTERN PPTYS TR	7.200	09/15/08	3,000,000	2,996,310	3,012,448	0.15%
WESTVACO CORP	7.650	03/15/27	8,113,000	8,086,997	8,062,294	0.40%
WEYERHAEUSER CO	8.500	01/15/25	7,000,000	7,232,659	7,430,546	0.37%
WYNDHAM WORLDWIDE CORP	6.000	12/01/16	6,000,000	5,976,792	5,365,042	0.27%
XANTERRA SOUTH RIM LLC	5.690	12/15/11	10,000,000	10,000,000	10,052,400	0.50%
ZIONS BANCORPORATION	5.650	05/15/14	4,000,000	3,957,767	3,360,951	0.17%
CYPRESSTREE SYNTHETIC CDO LTD	VAR	12/30/10	25,000,000	25,000,000	21,062,500	1.06%
<b>Corporate (Rated)</b>	<b>147 Issue(s)</b>		<b>1,015,790,249</b>	<b>1,011,467,221</b>	<b>996,726,110</b>	<b>50.04%</b>
AMERICAN PRESIDENT COS LTD	8.000	01/15/24	5,000,000	4,791,813	4,587,500	0.23%
KELLWOOD CO	7.625	10/15/17	12,000,000	11,876,626	7,950,000	0.40%
MERIDIAN TRAILER TRAIN	9.850	01/29/10	282,421	282,421	297,452	0.01%
WILMINGTON TR TUCSON ELECTRIC	10.211	01/01/09	175,742	175,742	181,429	0.01%
<b>Corporate (Unrated)</b>	<b>3 Issue(s)</b>		<b>17,458,163</b>	<b>17,126,603</b>	<b>13,016,381</b>	<b>0.65%</b>
ASTRO OFFSHORE CORP	6.000	12/20/19	9,267,000	9,267,000	10,027,821	0.50%
ENSCO OFFSHORE CO	6.360	12/01/15	5,000,263	5,000,263	5,306,229	0.27%
GNMA II POOL 001254	9.500	09/20/19	17,685	17,632	19,722	0.00%
GNMA POOL 046249	10.000	12/15/10	2,461	2,457	2,596	0.00%
GNMA POOL 135544	10.000	01/15/16	26,438	26,363	29,287	0.00%
GLOBAL INDS LTD	7.710	02/15/25	6,800,000	6,800,000	6,723,840	0.34%
TUNISIA REP	6.710	02/01/24	3,559,482	3,422,392	3,559,482	0.18%
UNITED STATES TREAS BDS	4.375	02/15/38	10,000,000	9,640,427	9,743,700	0.49%
UNITED STATES TREAS NTS	4.625	02/15/17	10,000,000	10,815,254	10,524,900	0.53%
UNITED STATES TREAS NTS	4.750	08/15/17	22,000,000	23,715,907	23,303,721	1.17%
UNITED STATES TREAS NTS	2.625	05/31/10	15,000,000	14,940,675	15,010,500	0.75%
UNITED STATES TREAS NTS	3.375	06/30/13	24,000,000	23,698,230	24,037,440	1.21%
VESSEL MGMT SVCS INC	6.080	05/20/24	9,600,000	9,600,000	10,677,216	0.54%
VESSEL MGMT SVCS INC	6.750	06/15/25	7,000,000	7,000,000	8,166,830	0.41%



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**RETIREMENT FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
<b>U.S. Government Direct Obligations</b>	<b>14 Issue(s)</b>		<b>122,273,330</b>	<b>123,946,602</b>	<b>127,133,284</b>	<b>6.38%</b>
FARMER MAC GTD NTS TR	4.875	01/14/11	15,000,000	14,759,216	15,463,452	0.78%
FED HM LN PC POOL G10173	6.000	01/01/09	48,127	48,119	49,326	0.00%
FED HM LN PC POOL G11670	4.000	03/01/15	17,355,607	17,163,181	16,530,542	0.83%
FED HM LN PC POOL G30006	7.000	07/01/13	159,273	159,796	165,075	0.01%
FED HM LN PC POOL E99081	4.500	09/01/18	13,950,208	13,888,754	13,699,857	0.69%
FED HM LN PC POOL G02070	5.500	03/01/36	23,600,123	23,115,398	23,288,380	1.17%
FED HM LN PC POOL G11994	5.500	05/01/21	20,902,975	20,760,467	21,056,662	1.06%
FED HM LN PC POOL G12369	5.500	10/01/21	15,700,637	15,676,694	15,816,075	0.79%
FED HM LN PC POOL G03037	5.500	07/01/37	27,348,640	27,231,163	26,961,281	1.35%
FED HM LN PC POOL G03458	5.500	11/01/37	27,576,658	27,686,615	27,186,069	1.36%
FED HM LN PC POOL C90973	6.000	06/01/26	18,231,958	18,090,846	18,507,879	0.93%
FEDERAL HOME LN MTG CORP	5.000	06/18/18	15,000,000	15,000,000	14,944,908	0.75%
FEDERAL HOME LN MTG CORP MTN	4.000	06/12/13	13,000,000	12,377,337	12,884,243	0.65%
FED HOME LN MTG CORP MTN	5.125	07/18/18	15,000,000	15,000,000	14,966,748	0.75%
FEDERAL HOME LN MTG CORP	4.500	04/02/14	11,000,000	10,974,687	11,027,070	0.55%
FREDDIE MAC	4.100	01/28/14	35,000,000	35,000,000	35,127,327	1.76%
FEDERAL HOME LOAN MTG CORP	5.000	01/30/14	13,000,000	12,997,603	13,394,254	0.67%
FEDERAL HOME LN MTG CORP	5.300	05/12/20	6,000,000	5,762,520	5,809,417	0.29%
FEDERAL HOME LN MTG CORP	4.825	09/23/15	15,000,000	14,264,588	14,833,893	0.74%
FEDERAL HOME LN MTG CORP	5.550	10/04/16	15,000,000	15,021,129	15,370,431	0.77%
FEDERAL HOME LN MTG CORP	0.000	07/13/37	100,000,000	13,570,146	13,952,400	0.70%
FED HM LN PC POOL C01523	5.000	03/01/33	7,775,085	7,719,031	7,505,897	0.38%
FED HM LN PC POOL E00247	5.500	10/01/08	39,417	39,412	39,704	0.00%
FED HM LN PC POOL E00659	6.000	04/01/14	278,400	278,286	285,932	0.01%
FED HM LN PC POOL E01376	4.000	04/01/18	15,444,274	15,361,996	14,900,027	0.75%
FED HM LN PC POOL E01418	4.000	07/01/18	15,136,868	14,869,262	14,603,455	0.73%
FED HM LN PC POOL E01425	4.500	08/01/18	15,132,285	15,103,418	14,860,720	0.75%
FED HM LN PC POOL B13150	4.000	03/01/19	16,503,761	16,503,761	15,719,192	0.79%
FEDERAL AGRIC MTG CORP MTN	6.710	07/28/14	17,000,000	18,359,905	19,026,769	0.96%
FEDERAL FARM CR BKS CONS	5.450	04/21/20	6,000,000	5,878,156	5,955,769	0.30%
FEDERAL FARM CR BKS	5.200	12/27/12	5,000,000	5,000,000	5,135,779	0.26%
FED HM LN PC POOL G11812	5.000	12/01/20	24,459,005	24,167,175	24,301,763	1.22%
FED HM LN PC POOL G11900	5.500	02/01/21	16,738,067	16,486,786	16,917,639	0.85%
FEDERAL HOME LN BKS	4.250	07/17/13	13,000,000	12,460,108	12,783,908	0.64%
FEDERAL HOME LN BK	7.000	08/26/19	8,000,000	7,981,517	9,385,265	0.47%
FEDERAL HOME LN BKS	7.450	02/03/20	15,000,000	15,071,108	18,201,261	0.91%
FEDERAL HOME LN BKS	4.125	08/13/10	10,000,000	10,043,988	10,146,872	0.51%
FEDERAL HOME LOAN BANK	4.875	05/14/10	15,000,000	14,983,778	15,459,170	0.78%
FEDERAL HOME LN MTG PC GTD	9.300	11/15/20	55,677	54,597	60,208	0.00%
FEDERAL HOME LN MTG CORP	8.250	06/01/26	8,000,000	8,177,650	10,312,248	0.52%
FEDERAL HOME LN MTG CORP	0.000	09/14/29	100,000,000	23,348,572	23,156,200	1.16%
FEDERAL NATL MTG ASSN	5.000	04/26/17	15,000,000	14,603,158	14,814,906	0.74%
FEDERAL NATL MTG ASSN	6.625	11/15/10	5,000,000	5,051,599	5,366,813	0.27%
FEDERAL NATL MTG ASSN	4.500	08/15/08	10,000,000	10,000,000	10,028,348	0.50%
FEDERAL NATL MTG ASSN REMIC	9.500	03/25/20	197,078	195,247	215,776	0.01%
FNMA POOL 256600	5.500	02/01/27	25,368,105	25,389,866	25,240,362	1.27%
FNMA POOL 256083	6.000	01/01/26	16,634,859	16,579,229	16,882,849	0.85%
FNMA POOL 256714	5.500	05/01/27	13,282,816	13,220,172	13,215,929	0.66%
FNMA POOL 303365	6.500	05/01/09	116,554	116,354	121,585	0.01%
FNMA POOL 303125	7.500	01/01/10	41,852	41,824	41,919	0.00%
FNMA POOL 303202	6.500	05/01/14	334,525	332,932	344,447	0.02%

**STATE OF MONTANA BOARD OF INVESTMENTS  
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**RETIREMENT FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
FNMA POOL 303590	7.000	11/01/10	111,397	111,397	113,400	0.01%
FNMA POOL 313999	6.000	02/01/13	333,491	332,727	342,141	0.02%
FNMA POOL 572220	6.000	03/01/16	372,134	371,508	382,334	0.02%
FNMA POOL 592327	5.500	06/01/16	746,135	735,760	758,151	0.04%
FNMA POOL 725346	4.000	03/01/19	16,649,789	16,519,809	16,059,651	0.81%
FNMA POOL 745250	5.000	01/01/21	20,916,965	20,840,039	20,791,770	1.04%
FNMA POOL 745454	4.000	12/01/20	7,644,085	7,306,116	7,278,852	0.37%
FNMA POOL 745515	5.000	05/01/36	18,657,225	17,721,448	17,941,557	0.90%
FNMA POOL 780956	4.500	05/01/19	11,234,954	11,232,364	10,994,985	0.55%
FNMA POOL 899502	5.000	05/01/37	10,822,059	10,818,721	10,375,275	0.52%
FNMA POOL 982043	6.000	05/01/38	20,036,606	20,092,959	20,226,684	1.02%
TENNESSEE VALLEY AUTH	4.875	12/15/16	5,000,000	4,894,307	5,087,385	0.26%
U S ARMY HOSPITALITY CASH MGT FD	7.467	05/01/32	13,978,778	13,978,778	16,642,993	0.84%
<b>U.S. Government Agency</b>	<b>64 Issue(s)</b>		<b>938,916,451</b>	<b>770,923,080</b>	<b>783,061,173</b>	<b>39.32%</b>
<b>RFBP TOTAL</b>	<b>229 Issue(s)</b>		<b>2,166,202,560</b>	<b>1,995,227,873</b>	<b>1,991,701,315</b>	<b>100.00%</b>

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**STATE OF MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**TRUST FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
SHORT TERM INVESTMENT POOL	NA	NA	45,017,942	45,017,942	45,017,942	2.91%
<b>Cash Equivalents</b>	<b>1 Issue(s)</b>		<b>45,017,942</b>	<b>45,017,942</b>	<b>45,017,942</b>	<b>2.91%</b>
AA / FT WORTH HQ FIN TR	5.500	10/05/10	4,780,553	4,780,553	5,013,127	0.32%
AOL TIME WARNER INC	6.750	04/15/11	5,000,000	5,129,502	5,101,987	0.33%
ACE INA HLDG INC	5.700	02/15/17	2,000,000	2,000,232	1,962,198	0.13%
AERO 1 HQ FIN TR	4.640	07/07/10	9,255,000	9,255,000	9,457,777	0.61%
AMERICA WEST AIRLS TR	7.930	01/02/19	2,639,339	2,639,339	2,602,757	0.17%
AMERICAN EXPRESS BK	6.000	09/13/17	4,000,000	3,990,983	3,867,329	0.25%
AMERICAN EXPRESS CENTURION BK	4.375	07/30/09	2,000,000	1,981,738	1,981,188	0.13%
AMERICAN GEN FIN CORP MTN	4.625	05/15/09	4,000,000	4,003,335	3,960,896	0.26%
AMERICAN GEN FIN CORP MTN	5.900	09/15/12	4,000,000	3,993,262	3,759,802	0.24%
ANHEUSER BUSCH COS INC	5.600	03/01/17	2,000,000	2,006,606	1,877,841	0.12%
B J SERVICES	5.750	06/01/11	5,000,000	4,996,165	5,047,879	0.33%
BANC AMER COML MTG INC COML	5.381	01/15/49	10,000,000	10,036,176	9,814,821	0.63%
BANC AMER COML MTG TR	5.363	07/10/46	2,485,979	2,489,771	2,502,929	0.16%
BANC AMER COML MTG TR	5.185	09/10/47	5,104,074	5,110,028	5,117,639	0.33%
BANC AMER COML MTG TR 2007 2	5.634	04/10/49	6,000,000	6,023,426	5,919,315	0.38%
BANC AMER COML MTG TR	5.838	06/10/49	10,000,000	9,997,364	9,911,234	0.64%
BANC AMER COML MTG TR	5.546	09/10/12	5,000,000	5,022,564	4,919,963	0.32%
BANK AMER CORP	5.375	08/15/11	5,000,000	4,988,113	5,040,229	0.33%
BEAR STEARNS COML MTG SECS TR	5.593	06/11/40	4,550,925	4,558,758	4,587,303	0.30%
BELLSOUTH CORP	4.750	11/15/12	3,000,000	2,995,997	2,942,948	0.19%
BELLSOUTH TELECOMM INC	6.300	12/15/15	7,850,550	8,349,561	8,220,190	0.53%
BISHOPSGATE CDO LTD	5.180	06/30/10	10,000,000	10,000,000	9,368,000	0.61%
BURLINGTON NORTHN SANTA FE RY	7.160	01/02/20	11,322,293	11,322,293	12,068,301	0.78%
BURLINGTON NORTHN + SANTA FE	4.575	01/15/21	2,147,148	2,089,828	2,032,591	0.13%
CIT GROUP EQUIP FING INC	6.490	01/05/21	8,779,780	8,779,780	7,983,019	0.52%
CIT GROUP INC	4.750	08/15/08	2,600,000	2,593,169	2,588,728	0.17%
CIT GROUP INC	5.800	07/28/11	4,000,000	3,998,304	3,380,000	0.22%
CSX CORP	7.900	05/01/17	5,000,000	5,071,886	5,297,892	0.34%
CSX CORP	5.750	03/15/13	6,000,000	5,986,757	5,940,887	0.38%
CVS CAREMARK CORP	5.750	06/01/17	4,000,000	3,880,039	3,909,226	0.25%
CANADIAN NATL RY CO	6.800	07/15/18	4,000,000	3,986,268	4,351,784	0.28%
CAPITAL ONE BK	5.000	06/15/09	4,000,000	3,998,556	3,985,981	0.26%
CAPITAL ONE FINL CORP	6.750	09/15/17	4,000,000	4,000,404	3,562,577	0.23%
CHICAGO + NORTH WESTERN RY	8.910	01/01/15	3,138,901	3,138,901	3,482,038	0.23%
CITIGROUP INC	6.200	03/15/09	5,000,000	4,975,482	5,052,785	0.33%
CITIGROUP INC	5.500	04/11/13	5,000,000	5,017,766	4,878,608	0.32%
COMCAST CORP	7.050	03/15/33	2,000,000	2,168,097	1,992,797	0.13%
COMCAST CORP NEW	5.450	11/15/10	2,000,000	2,002,928	2,031,915	0.13%
COMM MTG TR	5.540	06/10/46	2,726,836	2,728,915	2,749,157	0.18%
CONOCOPHILLIPS CDA FDG CO I	5.625	10/15/16	7,000,000	6,999,536	7,088,281	0.46%
CONTINENTAL AIRLS PASS THRU TR	6.545	08/02/20	5,245,528	5,245,528	4,642,292	0.30%
CORPORATE PPTY INVS	7.875	03/15/16	3,000,000	2,995,973	3,212,635	0.21%
CREDIT SUISSE FIRST BOSTON USA	6.500	01/15/12	5,000,000	5,189,083	5,184,507	0.34%
DOT HEADQUARTERS II LEASE MTG	6.001	12/07/21	20,000,000	20,000,000	20,022,800	1.30%
DEER PARK REFINING L P	6.470	12/15/08	369,400	368,957	374,432	0.02%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,757,750	4,569,133	0.30%
DUN + BRADSTREET CORP DEL NEW	5.500	03/15/11	5,000,000	5,001,405	4,969,747	0.32%
EASTERN ENERGY LTD	7.250	12/01/16	10,000,000	9,924,310	11,783,959	0.76%

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<b>TRUST FUNDS BOND POOL</b>						
<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
ENTERGY ARK INC	4.500	06/01/10	5,000,000	4,991,517	4,864,254	0.31%
FIRST CHICAGO CORP	6.375	01/30/09	4,000,000	3,977,518	4,079,378	0.26%
FIRST UN BK N C CHARLOTTE	5.800	12/01/08	4,000,000	3,981,243	4,028,354	0.26%
FLORIDA GAS TRANSMISSION CO	9.190	11/01/24	4,250,000	4,250,000	4,920,716	0.32%
FLORIDA GAS TRANSMISSION CO	7.000	07/17/12	3,000,000	2,998,241	3,162,758	0.20%
FLORIDA PWR CORP	5.800	09/15/17	1,000,000	997,522	1,026,244	0.07%
FORD MTR CR CO	7.375	10/28/09	7,000,000	7,001,514	6,299,502	0.41%
FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,985,768	2,778,888	0.18%
GE COML MTG CORP TR	5.417	12/10/49	10,000,000	10,037,697	9,821,086	0.64%
GSPA MONETIZATION TR	6.422	10/09/29	11,985,542	12,086,121	11,988,658	0.78%
GALENA CDO I CAYMAN IS NO 1LTD	VAR	01/11/13	9,000,000	9,000,000	5,760,900	0.37%
GAZPROM INTL S A	7.201	02/01/20	1,712,210	1,742,451	1,709,407	0.11%
GENERAL AMERN TRANSN CORP 94 1	8.420	01/01/15	5,855,184	5,855,184	6,280,571	0.41%
GENERAL ELEC CAP CORP MTN	5.000	12/01/10	10,000,000	10,398,906	10,209,747	0.66%
GENERAL ELEC CAP CORP MTN	4.800	05/01/13	5,000,000	4,989,954	4,916,951	0.32%
GENERAL ELEC CAP CORP MTN	5.000	11/15/11	10,000,000	10,312,596	10,079,344	0.65%
GENERAL ELEC CAP CORP MTN	5.000	01/08/16	2,000,000	1,990,189	1,911,479	0.12%
GENWORTH GLOBAL FDG TRS SECD	5.125	03/15/11	5,000,000	4,992,372	4,850,530	0.31%
GEORGIA PWR CO	5.250	12/15/15	2,000,000	2,000,089	1,983,831	0.13%
GOLDMAN SACHS GROUP	5.300	02/14/12	2,000,000	1,998,435	1,984,266	0.13%
GREAT RIV ENERGY	5.829	07/01/17	7,000,000	7,000,000	7,000,095	0.45%
HSBC FIN CORP	5.500	01/19/16	5,000,000	4,982,990	4,781,853	0.31%
HSBC FIN CORP	5.900	06/19/12	5,000,000	4,994,567	5,045,360	0.33%
HANCOCK JOHN GLOBAL FDG II MTN	7.900	07/02/10	10,000,000	10,726,694	10,710,590	0.69%
HAWAIIAN ELEC INDS INC MEDIUM	6.141	08/15/11	4,000,000	4,000,000	4,189,639	0.27%
HONEYWELL INTL INC	5.625	08/01/12	4,000,000	3,993,648	4,144,734	0.27%
ING SEC LIFE INSTL FDG	4.250	01/15/10	5,000,000	4,996,629	4,964,865	0.32%
INTL LEASE FIN CORP MTN	4.550	10/15/09	3,000,000	3,003,045	2,955,472	0.19%
INTERNATIONAL PAPER CO	4.000	04/01/10	6,000,000	5,999,936	5,733,452	0.37%
J P MORGAN CHASE COML MTG	4.555	06/12/41	8,000,000	7,999,929	7,991,892	0.52%
J P MORGAN CHASE COML MTG	3.053	01/15/38	4,059,465	4,052,048	4,012,172	0.26%
JP MORGAN CHASE	5.279	12/12/43	8,367,366	8,378,218	8,391,885	0.54%
JERSEY CENT PWR + LT CO	5.650	06/01/17	4,000,000	3,987,555	3,828,998	0.25%
KCT INTERMODAL TRANSN CORP	6.884	08/01/18	1,487,067	1,487,067	1,598,990	0.10%
KERR MCGEE CORP	7.125	10/15/27	3,000,000	3,030,367	3,132,219	0.20%
KEYBANK NATL ASSN CLEVELAND OH	5.500	09/17/12	5,000,000	4,999,413	4,544,708	0.29%
KEYBANK NATL ASSN MTN	5.450	03/03/16	5,000,000	4,999,080	3,917,562	0.25%
LEHMAN BROTHERS HLDGS INC	VAR	05/25/10	5,000,000	5,000,000	4,667,823	0.30%
MGIC INVT CORP WI	5.375	11/01/15	5,000,000	4,946,797	3,350,000	0.22%
ML CFC COML MTG TR	5.549	06/12/50	4,284,169	4,290,698	4,321,944	0.28%
MACMILLAN BLOEDEL LTD	7.700	02/15/26	5,000,000	4,912,818	5,446,454	0.35%
MARSH + MCLENNAN COS INC	7.125	06/15/09	5,000,000	5,011,648	5,056,904	0.33%
MCKESSON CORP NEW	5.250	03/01/13	3,000,000	2,990,187	2,934,463	0.19%
MEAD CORP	7.350	03/01/17	4,000,000	3,998,065	4,640,000	0.30%
MED MAP L L C	7.060	06/01/24	4,005,000	4,005,000	4,465,935	0.29%
MED MAP L L C COLO REV	7.000	06/01/24	4,405,000	4,405,000	4,890,827	0.32%
MELLON FDG CORP	VAR	05/15/14	5,000,000	5,000,000	4,788,073	0.31%
METLIFE INC	5.000	11/24/13	5,000,000	4,974,061	4,863,707	0.31%
METROPOLITAN LIFE GLOBAL MTN	4.250	07/30/09	2,000,000	1,999,785	1,994,532	0.13%
MOBIL CORP	5.940	01/15/19	7,115,226	7,115,226	7,701,907	0.50%
MORGAN STANLEY GROUP INC	6.750	04/15/11	10,000,000	10,314,722	10,139,980	0.66%

**STATE OF MONTANA BOARD OF INVESTMENTS**  
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<b>TRUST FUNDS BOND POOL</b>						
<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
NEWS AMER INC	6.150	03/01/37	3,000,000	3,033,483	2,737,622	0.18%
NORFOLK SOUTHN CORP	7.700	05/15/17	4,000,000	4,008,717	4,467,211	0.29%
ONEOK PARTERS LP	6.850	10/15/37	2,000,000	2,062,696	1,943,256	0.13%
PPL ELEC UTILS CORP	6.450	08/15/37	2,000,000	1,999,476	1,904,202	0.12%
PPL MONT LLC	8.903	07/02/20	17,512,204	17,567,121	19,046,313	1.23%
PACIFIC BELL	7.250	11/01/27	4,000,000	3,978,255	4,015,840	0.26%
PACIFIC LIFE GLOBAL FDG	5.150	04/15/13	3,000,000	2,998,621	2,896,265	0.19%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	8,000,000	8,012,359	8,166,555	0.53%
PENNSYLVANIA ELEC CO	6.050	09/01/17	2,000,000	1,994,557	1,940,686	0.13%
PROTECTIVE LIFE SECD TRS SECD	5.450	09/28/12	4,000,000	3,994,265	3,978,612	0.26%
PRUDENTIAL FINL INC	5.500	03/15/16	5,000,000	4,920,997	4,719,611	0.31%
PUBLIC SVC CO COLO	6.250	09/01/37	4,000,000	4,092,000	4,064,542	0.26%
PUGET SOUND PWR + LT CO	5.197	10/01/15	6,000,000	5,900,407	5,778,035	0.37%
RAS LAFFAN LIQUEFIED NAT GAS	5.298	09/30/20	6,000,000	5,692,291	5,550,185	0.36%
RAS LAFFAN LIQUEFIED NAT GAS	6.332	09/30/27	4,000,000	3,921,769	3,750,449	0.24%
SLM CORP	5.125	08/27/12	2,000,000	1,823,019	1,770,000	0.11%
SLM CORP	5.375	01/15/13	3,000,000	2,997,681	2,625,000	0.17%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	3,000,000	3,159,558	3,031,265	0.20%
SAN DIEGO GAS + ELEC CO	6.125	09/15/37	1,000,000	996,961	992,520	0.06%
SEARIVER MARITIME FINL HLDGS	0.000	09/01/12	20,000,000	16,564,695	16,420,802	1.06%
SECURITY CAP GROUP INC	7.700	06/15/28	2,000,000	2,292,631	2,501,227	0.16%
SOUTHERN UN CO NEW	7.600	02/01/24	8,000,000	7,543,545	7,906,070	0.51%
SOUTHWEST GAS CORP	8.375	02/15/11	8,000,000	8,003,157	8,409,611	0.54%
SOUTHWESTERN BELL TEL CO	7.000	11/15/27	2,000,000	1,998,218	2,031,616	0.13%
SUNCOR ENERGY INC	6.500	06/15/38	2,000,000	2,005,772	1,928,578	0.12%
TTX CO MEDIUM TERM NTS BOOK	6.050	06/15/16	5,000,000	4,992,192	5,454,122	0.35%
TEXAS GAS TRANSMISSION CORP	7.250	07/15/27	2,000,000	1,873,007	2,105,579	0.14%
TIME WARNER INC	6.625	05/15/29	3,000,000	3,091,436	2,745,583	0.18%
TRANSCONTINENTAL GAS PIPE LINE	7.250	12/01/26	2,000,000	2,009,000	2,071,922	0.13%
TRAVELERS COS INC	5.375	06/15/12	2,000,000	1,987,869	1,984,810	0.13%
TRAVELERS LIFE ANNUITY GLOBAL	4.250	10/01/10	10,000,000	10,039,907	9,716,060	0.63%
TRISTATE GEN + TRANS ASSN	6.040	01/31/18	5,809,440	5,841,513	5,690,003	0.37%
USX MARATHON GROUP	9.375	02/15/12	5,000,000	5,509,611	5,703,543	0.37%
ULTRAMAR DIAMOND SHAMROCK CORP	7.200	10/15/17	2,000,000	1,991,415	2,064,005	0.13%
UNION PAC CORP	6.150	05/01/37	2,000,000	1,879,269	1,865,007	0.12%
UNION PAC RES GROUP INC	7.050	05/15/18	6,000,000	5,957,876	6,686,461	0.43%
UNION PAC RR CO 2007 3 PTHRU	6.176	01/02/31	1,983,324	1,983,324	1,993,475	0.13%
UNION TANK CAR CO	7.450	06/01/09	5,000,000	5,000,000	5,188,255	0.34%
UNITEDHEALTH GROUP INC	4.875	04/01/13	2,000,000	1,922,920	1,916,860	0.12%
VERIZON COMMUNICATIONS INC	5.500	04/01/17	2,000,000	1,987,797	1,928,192	0.12%
VERIZON NORTH INC	5.634	01/01/21	3,000,000	2,899,788	2,678,383	0.17%
VIRGINIA ELEC + PWR CO	5.400	01/15/16	5,000,000	4,975,653	4,884,290	0.32%
WASHOVIA BK NATL ASSN	5.600	03/15/16	5,000,000	4,994,692	4,649,072	0.30%
WASHINGTON MUT INC	4.200	01/15/10	6,000,000	5,997,209	5,280,000	0.34%
WELLPOINT INC	5.875	06/15/17	3,000,000	2,980,749	2,897,219	0.19%
WESTERN PPTYS TR	7.200	09/15/08	1,000,000	998,770	1,004,149	0.06%
WESTVACO CORP	7.650	03/15/27	5,400,000	5,382,693	5,366,250	0.35%
WEYERHAEUSER CO	8.500	01/15/25	8,000,000	9,001,994	8,492,052	0.55%
XANTERRA SOUTH RIM LLC	5.690	12/15/11	8,000,000	8,000,000	8,041,920	0.52%
ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,968,325	2,520,713	0.16%
CYPRESSTREE SYNTHETIC CDO LTD	4.746	12/30/10	15,000,000	15,000,000	12,637,500	0.82%

**STATE OF MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**TRUST FUNDS BOND POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
<b>Corporate (Rated)</b>	<b>150 Issue(s)</b>		<b>756,227,502</b>	<b>755,582,157</b>	<b>747,118,821</b>	<b>48.33%</b>
KELLWOOD CO	7.625	10/15/17	8,000,000	7,943,836	5,300,000	0.34%
WILMINGTON TR TUCSON ELECTRIC	10.211	01/01/09	87,871	87,871	90,715	0.01%
<b>Corporate (Unrated)</b>	<b>1 Issue(s)</b>		<b>8,087,871</b>	<b>8,031,707</b>	<b>5,390,715</b>	<b>0.35%</b>
MONTANA ST BRD HSG	8.450	08/01/39	1,120,000	1,120,000	1,125,555	0.07%
<b>Municipal Government Bonds</b>	<b>1 Issue(s)</b>		<b>1,120,000</b>	<b>1,120,000</b>	<b>1,125,555</b>	<b>0.07%</b>
CRP	32 Issue(s)		1,508,366	1,508,366	1,508,366	0.10%
<b>Municipal Government Bonds(Unrated)</b>	<b>32 Issue(s)</b>		<b>1,508,366</b>	<b>1,508,366</b>	<b>1,508,366</b>	<b>0.10%</b>
GNMA POOL 032974	9.500	09/15/09	4,832	4,786	4,917	0.00%
GNMA POOL 038164	10.000	01/15/10	15,259	15,248	15,795	0.00%
GNMA POOL 039321	10.000	12/15/09	5,865	5,861	6,057	0.00%
GNMA POOL 281467	9.000	09/15/19	6,534	6,516	7,154	0.00%
GLOBAL INDS LTD	7.710	02/15/25	6,800,000	6,800,000	6,723,840	0.43%
REINAUER MARITIME CO LLC	6.500	06/30/28	16,480,000	16,480,000	18,373,387	1.19%
T T BARGE SERVICES	6.450	12/16/12	917,100	917,100	980,343	0.06%
TUNISIA REP	6.710	02/01/24	3,559,482	3,422,392	3,559,482	0.23%
UNITED STATES TREAS NTS	4.625	02/15/17	8,000,000	8,487,090	8,419,920	0.54%
UNITED STATES TREAS NTS	4.750	08/15/17	23,000,000	24,898,384	24,362,981	1.58%
UNITED STATES TREAS NTS	3.125	04/30/13	10,000,000	10,020,400	9,914,300	0.64%
UNITED STATES TREAS NTS	2.625	05/31/10	11,500,000	11,420,839	11,508,050	0.74%
UNITED STATES TREAS NTS	3.375	06/30/13	12,000,000	11,849,115	12,018,720	0.78%
VESSEL MGMT SVCS INC	6.080	05/20/24	15,472,000	15,472,000	17,208,113	1.11%
<b>U.S. Government Direct Obligations</b>	<b>14 Issue(s)</b>		<b>107,761,072</b>	<b>109,799,731</b>	<b>113,103,058</b>	<b>7.32%</b>
FARMER MAC GTD NTS TR	4.875	01/14/11	10,000,000	9,839,478	10,308,968	0.67%
FED HM LN PC POOL G10814	5.500	05/01/13	258,093	257,999	262,317	0.02%
FED HM LN PC POOL G10173	6.000	01/01/09	20,626	20,622	21,140	0.00%
FED HM LN PC POOL G11670	4.000	03/01/15	7,438,117	7,355,649	7,084,518	0.46%
FED HM LN PC POOL G30006	7.000	07/01/13	125,143	125,142	129,702	0.01%
FED HM LN PC POOL E99081	4.500	09/01/18	10,960,878	10,912,592	10,764,173	0.70%
FED HM LN PC POOL G02070	5.500	03/01/36	15,733,415	15,410,265	15,525,587	1.00%
FED HM LN PC POOL G11994	5.500	05/01/21	13,935,316	13,840,311	14,037,774	0.91%
FED HM LN PC POOL G12369	5.500	10/01/21	12,845,976	12,826,386	12,940,425	0.84%
FED HM LN PC POOL G03037	5.500	07/01/37	18,232,426	18,154,109	17,974,187	1.16%
FED HM LN PC POOL G03458	5.500	11/01/37	18,384,439	18,457,743	18,124,046	1.17%
FED HM LN PC POOL C90973	6.000	06/01/26	18,231,958	18,090,846	18,507,879	1.20%
FEDERAL HOME LN MTG CORP	5.000	06/18/18	20,000,000	20,000,000	19,926,544	1.29%
FEDERAL HOME LN MTG CORP MTN	4.000	06/12/13	12,000,000	11,425,235	11,893,147	0.77%
FED HOME LN MTG CORP MTN	5.125	07/18/18	15,000,000	15,000,000	14,966,748	0.97%
FEDERAL HOME LN MTG CORP	4.500	04/02/14	9,000,000	8,979,289	9,022,148	0.58%
FREDDIE MAC	4.100	01/28/14	30,000,000	30,000,000	30,109,137	1.95%
FEDERAL HOME LOAN MTG CORP	5.000	01/30/14	12,000,000	11,997,788	12,363,926	0.80%
FEDERAL HOME LN MTG CORP	5.300	05/12/20	3,000,000	2,881,260	2,904,709	0.19%
FEDERAL HOME LN MTG CORP	4.825	09/23/15	10,000,000	9,509,725	9,889,262	0.64%
FEDERAL HOME LN MTG CORP	5.550	10/04/16	10,000,000	10,014,086	10,246,954	0.66%
FEDERAL HOME LN MTG CORP	0.000	07/13/37	100,000,000	13,570,146	13,952,400	0.90%
FEDERAL HOME LN MTG PC GTD	9.150	10/15/20	47,199	46,806	48,351	0.00%
FED HM LN PC POOL C01523	5.000	03/01/33	5,183,390	5,146,021	5,003,931	0.32%
FED HM LN PC POOL E00247	5.500	10/01/08	16,530	16,527	16,650	0.00%
FED HM LN PC POOL E00659	6.000	04/01/14	389,760	389,600	400,305	0.03%
FED HM LN PC POOL E01376	4.000	04/01/18	10,296,182	10,241,330	9,933,351	0.64%

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<b>TRUST FUNDS BOND POOL</b>						
<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
FED HM LN PC POOL E01418	4.000	07/01/18	10,091,246	9,834,917	9,735,636	0.63%
FED HM LN PC POOL E01425	4.500	08/01/18	10,088,190	10,068,946	9,907,147	0.64%
FED HM LN PC POOL B13150	4.000	03/01/19	11,002,507	11,002,507	10,479,461	0.68%
FEDERAL AGRIC MTG CORP MTN	6.710	07/28/14	8,000,000	8,639,955	8,953,774	0.58%
FEDERAL FARM CR BKS CONS	5.450	04/21/20	3,000,000	2,939,078	2,977,884	0.19%
FEDERAL FARM CR BKS	5.200	12/27/12	4,000,000	4,000,000	4,108,623	0.27%
FED HM LN PC POOL G11812	5.000	12/01/20	10,482,431	10,357,361	10,415,041	0.67%
FED HM LN PC POOL G11900	5.500	02/01/21	13,390,453	13,189,429	13,534,111	0.88%
FEDERAL HOME LN BKS	4.250	07/17/13	7,000,000	6,709,289	6,883,643	0.45%
FEDERAL HOME LN BK	7.000	08/26/19	7,000,000	6,972,699	8,212,107	0.53%
FEDERAL HOME LN BKS	7.450	02/03/20	10,000,000	10,047,405	12,134,174	0.78%
FEDERAL HOME LN BKS	4.125	08/13/10	5,000,000	5,021,994	5,073,436	0.33%
FEDERAL HOME LOAN BANK	4.875	05/14/10	5,000,000	4,994,593	5,153,057	0.33%
FEDERAL HOME LN MTG CORP	8.250	06/01/26	7,000,000	7,155,444	9,023,217	0.58%
FEDERAL HOME LN MTG CORP	0.000	09/14/29	100,000,000	23,348,576	23,156,200	1.50%
FEDERAL NATL MTG ASSN	5.000	04/26/17	10,000,000	9,735,439	9,876,604	0.64%
FEDERAL NATL MTG ASSN	4.500	08/15/08	10,000,000	10,000,000	10,028,348	0.65%
FEDERAL NATL MTG ASSOC	0.000	07/30/37	100,000,000	13,525,885	13,868,700	0.90%
FNMA POOL 254233	5.000	03/01/17	3,685,083	3,607,008	3,694,702	0.24%
FNMA POOL 254631	5.000	02/01/18	4,644,455	4,633,012	4,648,052	0.30%
FNMA POOL 256600	5.500	02/01/27	16,912,070	16,926,577	16,826,908	1.09%
FNMA POOL 256083	6.000	01/01/26	16,634,859	16,579,229	16,882,849	1.09%
FNMA POOL 256714	5.500	05/01/27	17,710,422	17,628,202	17,621,239	1.14%
FNMA POOL 303202	6.500	05/01/14	501,786	499,400	516,670	0.03%
FNMA POOL 313999	6.000	02/01/13	166,746	166,364	171,071	0.01%
FNMA POOL 572220	6.000	03/01/16	372,134	371,508	382,334	0.02%
FNMA POOL 592327	5.500	06/01/16	573,950	565,969	583,193	0.04%
FNMA POOL 725232	5.000	03/01/34	29,083,860	27,589,013	28,063,292	1.82%
FNMA POOL 725346	4.000	03/01/19	11,099,859	11,013,206	10,706,434	0.69%
FNMA POOL 745250	5.000	01/01/21	13,944,644	13,893,360	13,861,180	0.90%
FNMA POOL 745454	4.000	12/01/20	7,644,085	7,306,116	7,278,852	0.47%
FNMA POOL 745515	5.000	05/01/36	16,462,186	15,636,505	15,830,718	1.02%
FNMA POOL 780956	4.500	05/01/19	5,617,477	5,616,182	5,497,492	0.36%
FNMA POOL 899502	5.000	05/01/37	8,939,962	8,937,205	8,570,879	0.55%
FNMA POOL 933853	6.000	05/01/38	15,337,726	15,390,449	15,483,227	1.00%
TENNESSEE VALLEY AUTH	4.875	12/15/16	5,000,000	4,894,307	5,087,385	0.33%
U S ARMY HOSPITALITY CASH MGT FD	7.467	05/01/32	9,319,185	9,319,185	11,095,329	0.72%
<b>U.S. Government Agencies</b>	<b>64 Issue(s)</b>		<b>877,804,764</b>	<b>622,625,270</b>	<b>632,681,246</b>	<b>40.93%</b>
<b>TFBP Total</b>	<b>264 Issue(s)</b>		<b>1,797,527,516</b>	<b>1,543,685,172</b>	<b>1,545,945,703</b>	<b>100.00%</b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**MONTANA DOMESTIC EQUITY POOL (MDEP) BY MANAGER**

<u>Manager</u>	<u>Shares</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>%</u>
BGI EQUITY INDEX FUND	2,011,847	605,035,430	744,236,640	25.10%
BGI MIDCAP EQUITY INDEX FUND	1,021,487	17,955,912	21,559,922	0.73%
DIMENSIONAL FUND ADVISORS INC	52,279	35,190,238	53,150,403	1.79%
GOLDMAN SACHS ENHANCED LARGE	9,330,103	125,956,387	126,422,892	4.26%
STATE STREET SPIF ALT INV	106,387	20,211,621	18,579,258	0.63%
WESTERN ASSET US INDX PLUS LLC	<u>13,632,891</u>	<u>206,937,301</u>	<u>164,767,126</u>	<u>5.56%</u>
<b>Total Commingled Accounts</b>	<b>26,154,994</b>	<b>1,011,286,889</b>	<b>1,128,716,241</b>	<b>38.06%</b>
T ROWE PRICE - 299 Issues	6,011,481	213,460,883	199,642,816	6.73%
JP MORGAN INVESTMENTS - 223 Issues	4,973,814	194,618,726	187,918,039	6.34%
INTECH - 373 Issues	5,892,731	192,240,886	183,071,350	6.17%
BARROW HANLEY MEWHINNEY - 87 Issues	10,084,703	215,683,609	181,886,892	6.13%
COLUMBUS CIRCLE - 53 Issues	7,896,183	137,892,186	148,403,430	5.00%
RENAISSANCE INVESTMENTS - 56 Issues	4,672,155	147,953,437	145,212,364	4.90%
RAINIER INVESTMENTS - 72 Issues	7,378,954	145,385,634	144,401,083	4.87%
QUANTITATIVE MANAGEMENT - 131 Issues	4,508,061	150,174,563	122,804,963	4.14%
ANALYTICS INVESTMENTS - 303 Issues	3,864,779	120,060,936	113,638,940	3.83%
MARTINGALE - 150 Issues	3,790,603	106,875,012	105,838,593	3.57%
MARTINGALE INVESTMENTS - 275 Issues	2,089,315	78,381,026	78,636,978	2.65%
TIMESQUARE - 73 Issues	5,207,717	79,962,897	76,518,755	2.58%
ARTISAN - 51 Issues	4,238,014	64,638,705	61,286,655	2.07%
VAUGHAN NELSON - 71 Issues	3,768,264	46,455,456	46,534,380	1.57%
NORTHPOINTE - 79 Issues	<u>3,244,525</u>	<u>44,680,045</u>	<u>41,099,668</u>	<u>1.39%</u>
<b>TOTAL - 2302 Issues</b>	<b><u>103,776,293</u></b>	<b><u>2,949,750,890</u></b>	<b><u>2,965,611,148</u></b>	<b><u>100.00%</u></b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**MONTANA INTERNATIONAL STOCK POOL (MTIP) BY MANAGER**

<u>Manager</u>	<u>Shares</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>%</u>
BGI MSCI EQUITY INDEX FD EUROP	10,300,478	93,208,727	155,043,812	10.78%
BGI GLOBAL EX US ALPHA TILT FD	5,048,801	101,210,818	117,096,633	8.15%
AXA ROSENBERG INTL SMALL CAP	2,564,174	46,908,465	49,747,613	3.46%
DFA INTL SMALL CO PORTFOLIO	3,352,447	50,564,305	57,159,226	3.98%
EAFE STOCK PERFORMANCE INDEX	723,455	19,659,934	20,458,585	1.42%
<b>Total Commingled Accounts</b>	<b>21,989,355</b>	<b>311,552,249</b>	<b>399,505,869</b>	<b>27.79%</b>
BATTERYMARCH - 231 Issues	13,642,017	175,977,111	185,361,157	12.89%
JULIUS BAER - 278 Issues	11,144,279	164,432,875	177,424,433	12.34%
ACADIAN - 264 Issues	21,777,050	152,437,320	140,736,998	9.79%
BERNSTEIN - 120 Issues	8,110,175	133,105,855	132,663,630	9.23%
MARTIN CURRIE - 50 Issues	10,008,125	131,566,712	126,424,143	8.79%
HANSBERGER - 73 Issues	8,252,488	110,518,048	118,230,800	8.22%
NOMURA - 211 Issues	21,227,990	78,056,164	88,971,518	6.19%
PRINCIPAL - 200 Issues	5,085,601	62,663,371	68,322,320	4.75%
<b>TOTAL - 1433 Issues</b>	<b>121,237,080</b>	<b>1,320,309,704</b>	<b>1,437,640,868</b>	<b>100.00%</b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**PRIVATE EQUITY POOL (MPEP) BY MANAGER**

<u>Manager</u>	<u>Shares</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>%</u>
ADAMS STREET	184,993,886	184,993,885	213,905,012	28.75%
WELSH CARSON	42,043,055	42,043,055	55,295,005	7.43%
LEXINGTON	30,463,525	30,463,525	54,877,081	7.37%
MADISON DEARBORN	39,887,294	39,887,294	51,042,289	6.86%
CARLYLE	40,606,539	40,606,539	44,341,656	5.96%
KKR	31,328,674	31,328,674	33,302,222	4.48%
ARCLIGHT	32,175,265	32,175,265	33,251,388	4.47%
OAK HILL	22,287,066	22,287,066	28,272,370	3.80%
LEHMAN BROTHERS	17,469,586	17,469,586	22,667,557	3.05%
FIRST RESERVE	18,521,706	18,521,706	20,279,546	2.73%
JLL PARTNERS	13,424,148	13,424,148	19,222,145	2.58%
PORTFOLIO ADVISORS	15,754,779	15,754,779	16,336,246	2.20%
MATLIN PATTERSON	12,370,624	12,370,624	15,050,621	2.02%
AVENUE CAPITAL	15,938,965	15,938,965	14,665,298	1.97%
ODYSSEY INVESTMENTS	11,245,894	11,245,894	13,453,643	1.81%
TERRA FIRMA	8,554,378	12,173,472	13,310,847	1.79%
J.C. FLOWERS	18,207,293	18,207,293	12,963,283	1.74%
HELLMAN FRIEDMAN	12,567,684	12,567,684	12,912,906	1.74%
STATE STREET SPIFF	71,621	13,474,961	12,507,838	1.68%
MHR INSTITUTIONAL	10,788,757	10,788,757	12,325,993	1.66%
QUINTANA ENERGY	8,791,401	8,791,401	8,422,285	1.13%
INDUSTRY VENTURES	6,909,491	6,909,491	7,768,251	1.04%
CCMP	6,551,322	6,551,322	6,720,929	0.90%
SIGULER GUFF	5,708,023	5,708,023	5,390,229	0.72%
HARBOUR VEST	4,500,000	4,500,000	4,485,749	0.60%
BUERK DALE.	4,050,000	4,050,000	3,315,285	0.45%
OAK TREE	2,625,001	2,625,001	3,052,739	0.41%
AFFINITY	2,995,454	2,995,454	2,968,762	0.40%
HIGHWAY 12 VENTURES	2,158,305	2,158,305	1,991,776	0.27%
<b>TOTAL</b>	<b>622,989,734</b>	<b>640,012,167</b>	<b>744,098,947</b>	<b>100.00%</b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**REAL ESTATE POOL (MTRP) BY MANAGER**

<u>Manager</u>	<u>Shares</u>	<u>Carrying Value</u>	<u>Fair Value</u>	<u>%</u>
JP MORGAN CHASE BANK STRATEGIC PROPERTIES FUND	37,898	68,141,976	72,327,177	21.97%
CLARION LION PROPERTIES FUND	31,957	45,000,000	49,193,888	14.94%
INVESCO CORE REAL ESTATE - USA	309	45,000,000	46,223,196	14.04%
HUDSON REALTY CAPITAL FUND IV	21,500,000	21,500,000	21,804,333	6.62%
TA ASSOCIATES REALTY FUND VIII	16,000,000	16,000,000	16,540,560	5.02%
STRATEGIC PARTNERS VALUE ENHANCEMENT FUND	13,724,239	13,724,239	15,535,633	4.72%
JER REAL ESTATE PARTNERS FUND IV	14,961,499	14,961,499	14,740,039	4.48%
ABR CHESAPEAKE FUND III	13,845,514	13,845,514	14,534,204	4.42%
BEACON CAPITAL PARTNERS FUND V	12,500,000	12,500,000	12,097,988	3.68%
MORGAN STANLEY REAL ESTATE FUND VI INTERNATIONAL	13,600,275	13,600,275	11,768,644	3.58%
DRA ADVISORS VI	10,272,803	10,272,803	10,272,803	3.12%
LIQUID REALTY FUND IV	9,239,713	9,239,713	9,743,093	2.96%
CARLYLE EUROPE REAL ESTATE PARTNERS III	4,075,098	6,343,764	6,093,312	1.85%
O'CONNOR NORTH AMERICAN PROPERTY PARTNERS II	5,619,075	5,619,075	5,619,075	1.71%
APOLLO REAL ESTATE FINANCE CORP.	4,798	4,798,000	4,718,134	1.43%
AG CORE PLUS REALTY FUND II	4,881,597	4,881,597	4,674,090	1.42%
MACQUARIE GLOBAL PROPERTY FUND III	3,794,964	3,794,964	3,670,929	1.12%
SHORT TERM INVESTMENT POOL	3,461,067	3,461,067	3,461,067	1.05%
AG (ANGELO GORDON) REALTY FUND VII	3,600,000	3,600,000	3,189,233	0.97%
ROTHSCHILD: FIVE ARROWS REALTY SECURITIES FUND V	2,499,076	2,499,076	2,496,345	0.76%
CIM FUND III	653,372	653,372	482,560	0.15%
<b>TOTAL</b>	<b>154,303,255</b>	<b>319,436,934</b>	<b>329,186,301</b>	<b>100.00%</b>

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**STATE OF MONTANA BOARD OF INVESTMENTS  
CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**SHORT TERM INVESTMENT POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>%</u>
AIG FUNDING INC.	2.430	07/21/08	15,000,000	14,979,750	0.65%
AIG FUNDING INC.	2.400	07/30/08	30,000,000	29,942,000	1.29%
ALLIANCEBERNSTEIN	2.240	07/08/08	25,000,000	24,989,111	1.08%
ALLIANCEBERNSTEIN	2.240	07/18/08	10,000,000	9,989,422	0.43%
ALLIANCEBERNSTEIN	2.400	08/07/08	10,000,000	9,975,333	0.43%
ANGLESEA FDG PLC & ANG	2.900	07/01/08	20,000,000	20,000,000	0.86%
ANGLESEA FDG PLC & ANG	2.860	08/04/08	10,000,000	9,972,989	0.43%
ANGLESEA FDG PLC & ANG	3.000	08/07/08	15,000,000	14,953,750	0.64%
APRECO LLC	2.750	07/15/08	45,000,000	44,951,875	1.94%
ATLANTIS ONE FDG COR	2.560	07/16/08	40,000,000	39,957,333	1.72%
BANKAMERICA CORP	2.580	08/26/08	45,000,000	44,819,400	1.93%
BUNGE ASSET FDG. COR	3.050	07/01/08	10,000,000	10,000,000	0.43%
BUNGE ASSET FDG. COR	3.050	07/03/08	10,928,000	10,926,148	0.47%
BUNGE ASSET FDG. COR	2.800	07/11/08	25,000,000	24,980,556	1.08%
CAFCO LLC	2.580	07/02/08	15,000,000	14,998,925	0.65%
CALYON NORTH AMERICA I	2.410	07/31/08	15,000,000	14,969,875	0.64%
CALYON NORTH AMERICA I	2.410	08/06/08	15,000,000	14,963,850	0.64%
CALYON NORTH AMERICA I	2.490	08/11/08	15,000,000	14,957,463	0.64%
CHARTA LLC	2.640	08/21/08	45,000,000	44,831,700	1.93%
CHESHAM FNC/ CHESH LLC	3.050	07/08/08	40,000,000	39,976,278	1.72%
CIESCO LLC	2.600	07/29/08	15,000,000	14,969,667	0.64%
DANSKE CORP.	2.600	07/14/08	25,000,000	24,976,528	1.08%
DANSKE CORP.	2.700	08/05/08	16,000,000	15,958,000	0.69%
EBURY FINANCE LTD	2.850	07/21/08	20,000,000	19,968,333	0.86%
ENTERPRISE FDG CO LLC	2.540	07/07/08	15,000,000	14,993,650	0.65%
FALCON ASSET SC CO LLC	2.760	07/25/08	40,000,000	39,926,400	1.72%
FORRESTAL CERT FDG T	2.650	07/09/08	20,000,000	19,988,222	0.86%
FOUNTAIN SQUARE CM F	2.900	08/04/08	20,000,000	19,945,222	0.86%
FOUNTAIN SQUARE CM F	3.050	08/22/08	25,000,000	24,889,861	1.07%
GENERAL ELEC CAPT CO	2.270	07/22/08	35,000,000	34,953,654	1.51%
GOTHAM FDG CORP	2.750	07/17/08	14,465,000	14,447,321	0.62%
GOTHAM FDG CORP	2.800	08/18/08	25,000,000	24,906,667	1.07%
GOVCO LLC	2.500	07/17/08	40,000,000	39,955,556	1.72%
JUPITER SECT CO LLC	2.620	07/25/08	30,000,000	29,947,600	1.29%
KITTYHAWK FUNDING	2.550	07/02/08	15,000,000	14,998,938	0.65%
LEXINGTN PKR CAP CO LL	2.750	07/18/08	15,000,000	14,980,521	0.65%
LEXINGTN PKR CAP CO LL	2.700	07/23/08	25,000,000	24,958,750	1.07%
LLOYDS BANK PLC	2.480	08/14/08	45,000,000	44,863,600	1.93%
MARKET ST FNDG CORP	2.650	07/10/08	15,000,000	14,990,063	0.65%
MARKET ST FNDG CORP	2.800	08/19/08	25,000,000	24,904,722	1.07%
MORGAN J.P. CHASE &	2.390	08/13/08	20,000,000	19,942,906	0.86%
NEPTUNE FDG CORP	3.150	07/11/08	20,000,000	19,982,500	0.86%
NEPTUNE FDG CORP	3.150	07/14/08	20,000,000	19,977,250	0.86%
PERRY GLOBAL FDG LTD	3.370	08/01/08	40,000,000	39,883,922	1.72%
RABOBANK USA FINL CO	2.520	08/28/08	40,000,000	39,837,600	1.72%
ROYAL BK OF SCOTLAND	2.610	08/22/08	40,000,000	39,849,200	1.72%
SOCIETE GEN NO AMER	2.530	07/31/08	15,000,000	14,968,375	0.64%
SOCIETE GEN NO AMER	2.610	08/12/08	25,000,000	24,923,875	1.07%
TICONDEROGA & TICOND	2.480	07/11/08	10,000,000	9,993,111	0.43%

**STATE OF MONTANA BOARD OF INVESTMENTS**  
**CONSOLIDATED UNIFIED INVESTMENT PROGRAM FINANCIAL STATEMENT**

**SHORT TERM INVESTMENT POOL**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>%</u>
TORONTO DOMIN HOLDING	2.280	07/24/08	25,000,000	24,963,583	1.08%
VICTORY RECEIVABLES	2.550	07/02/08	8,000,000	7,999,433	0.34%
VICTORY RECEIVABLES	2.575	07/02/08	21,837,000	21,835,438	0.94%
VICTORY RECEIVABLES	2.830	07/24/08	15,000,000	14,972,879	0.64%
WELLS FARGO & CO	2.300	07/31/08	30,000,000	29,942,500	1.29%
WELLS FARGO & CO	2.350	08/25/08	15,000,000	14,946,146	0.64%
<b>Commercial Paper</b>	<b>55 Issue(s)</b>		<b>1,281,230,000</b>	<b>1,278,677,750</b>	<b>55.07%</b>
ALLSTATE LIFE GLOBAL FDG	2.873	08/01/08	40,000,000	40,000,000	1.72%
AMERICAN EXPRESS BK	2.648	11/07/08	40,000,000	40,000,000	1.72%
AMERICAN HONDA FIN CORP MTN	3.013	09/18/08	50,000,000	50,000,000	2.15%
JP MORGAN CHASE + CO	2.702	06/05/09	25,000,000	24,971,989	1.08%
MERRILL LYNCH + CO INC	2.638	08/22/08	25,000,000	25,000,000	1.08%
<b>Corporate Variable-Rate (Floating Rate)</b>	<b>5 Issue(s)</b>		<b>180,000,000</b>	<b>179,971,989</b>	<b>7.75%</b>
ORION_FINA	N/A	N/A	25,000,000	25,000,000	1.08%
ORION FIN USA LLC	N/A	N/A	25,000,000	25,000,000	1.08%
AXON FINL FDG LTD / LLC	N/A	N/A	50,000,000	50,000,000	2.15%
AXON FINL FDG LTD / LLC	N/A	N/A	40,000,000	40,000,000	1.72%
<b>Structured Investment Vehicles</b>	<b>4 Issue(s)</b>		<b>140,000,000</b>	<b>140,000,000</b>	<b>6.03%</b>
BANK OF SCOTLAND PLC NY	2.810	10/09/08	40,000,000	40,000,000	1.72%
CREDIT SUISSE NY	2.764	10/03/08	40,000,000	39,997,934	1.72%
<b>Certificates of Deposit</b>	<b>2 Issue(s)</b>		<b>80,000,000</b>	<b>79,997,934</b>	<b>3.45%</b>
FEDERAL HOME LN BK CONS DSC NT	2.210	08/27/08	25,000,000	24,912,521	1.07%
FEDERAL HOME LN CKS CONS DISC	2.420	09/26/08	25,000,000	24,853,792	1.07%
FEDERAL HOME LOAN BANK	2.200	04/01/09	25,000,000	24,996,375	1.08%
FEDERAL HOME LOAN BANK	2.270	04/14/09	25,000,000	25,000,000	1.08%
FEDERAL HOME LOAN BANK	2.625	04/30/09	25,000,000	25,000,000	1.08%
FEDERAL HOME LOAN BANK	3.000	06/18/09	25,000,000	25,000,000	1.08%
FEDERAL HOME LOAN MTG DISC NTS	2.150	08/08/08	25,000,000	24,943,264	1.07%
FEDERAL HOME LOAN MTG DISC NTS	2.270	08/11/08	50,000,000	49,872,444	2.15%
FEDERAL HOME LOAN MTG DISC NTS	2.170	08/18/08	25,000,000	24,927,667	1.07%
FEDERAL HOME LOAN MTG DISC NTS	2.380	09/29/08	25,000,000	24,851,250	1.07%
FEDERAL NATL MTG ASSN	3.875	07/15/08	50,000,000	49,991,829	2.15%
FEDERAL NATL MTG ASSN DISC NTS	2.170	08/06/08	25,000,000	24,945,750	1.07%
FEDERAL NATL MTG ASSN DISC NTS	2.210	08/13/08	25,000,000	24,934,007	1.07%
FEDERAL NATL MTG ASSN DISC NTS	2.120	08/20/08	25,000,000	24,926,389	1.07%
FEDERAL NATL MTG ASSN DISC NTS	2.250	08/29/08	40,000,000	39,852,500	1.72%
<b>U. S. Government Agency</b>	<b>15 Issue(s)</b>		<b>440,000,000</b>	<b>439,007,788</b>	<b>18.91%</b>
BGI INSTITUTIONAL MMF	2.570	N/A	75,000,000	75,000,000	3.23%
FIDELITY INSTL MONEY MARKET	2.630	N/A	70,000,000	70,000,000	3.01%
STATE STREET BANK + TRUST CO	2.517	N/A	4,352,667	4,352,667	0.19%
<b>Money Market Funds (Unrated)</b>	<b>3 Issue(s)</b>		<b>149,352,667</b>	<b>149,352,667</b>	<b>6.43%</b>
STATE STREET INSTL LIQUID RESERVES	2.485	N/A	55,000,000	55,000,000	2.37%
<b>Money Market Funds (Rated)</b>	<b>1 Issue(s)</b>		<b>55,000,000</b>	<b>55,000,000</b>	<b>2.37%</b>
<b>STIP Total</b>	<b>85 Issue(s)</b>		<b>2,325,582,667</b>	<b>2,322,008,128</b>	<b>100.00%</b>

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**ALL OTHER FUNDS**

<u>Security Name</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Par</u>	<u>Amortized Cost</u>	<u>Fair Value</u>	<u>%</u>
US BANK REPURCHASE AGREEMENT	2.000	07/01/08	12,123,446	12,123,446	12,123,446	0.83%
<b>Cash Equivalents</b>			<b>12,123,446</b>	<b>12,123,446</b>	<b>12,123,446</b>	<b>0.83%</b>
AA / FT WORTH HQ FIN TR	5.500	10/05/10	4,854,100	4,854,100	5,090,252	0.35%
ABBOTT LABS	3.500	02/17/09	10,000,000	9,993,330	10,014,185	0.69%
ALLSTATE LIFE GBL FDG SECD	5.375	04/30/13	5,000,000	4,995,170	4,964,867	0.34%
AMERICAN EXPRESS CO	5.500	09/12/16	5,000,000	4,979,134	4,721,178	0.32%
AMERICAN EXPRESS CO	7.000	03/19/18	3,000,000	2,988,837	3,110,207	0.21%
AMERICAN GEN FIN CORP MTN	4.875	05/15/10	5,000,000	4,999,738	4,826,428	0.33%
AMERICAN GEN FIN CORP MTN	5.900	09/15/12	5,000,000	4,975,647	4,699,752	0.32%
ARIA CDO II JERSEY NO 1 LTD	VAR	10/10/12	10,000,000	10,000,000	9,964,900	0.68%
B J SERVICES	5.750	06/01/11	5,000,000	4,996,165	5,047,879	0.35%
BANC AMER COML MTG INC COML	5.381	01/15/49	5,000,000	5,018,088	4,907,411	0.34%
BANC AMER COML MTG TR 2007 2	5.634	04/10/49	5,000,000	5,019,522	4,932,762	0.34%
BANC AMER COML MTG TR	5.838	06/10/49	5,000,000	4,998,682	4,955,617	0.34%
BANC AMER COML MTG TR	5.546	09/10/12	5,000,000	5,022,564	4,919,963	0.34%
BANC AMER COML MTG TR	5.434	12/10/12	10,000,000	10,049,028	9,734,323	0.67%
BANK AMER CORP	3.375	02/17/09	5,000,000	4,996,715	4,977,858	0.34%
BANK AMER CORP	5.375	06/15/14	5,000,000	4,972,746	4,849,492	0.33%
BUNGE NA FINANCE LP	5.900	04/01/17	5,000,000	4,995,027	4,572,843	0.31%
BURLINGTON NORTHN SANTA FE RY	7.160	01/02/20	3,774,098	3,774,098	4,022,767	0.28%
CIT GROUP EQUIP FING INC	6.490	01/05/21	5,853,187	5,853,187	5,322,013	0.36%
CIT GROUP INC	5.200	11/03/10	2,000,000	2,000,000	1,710,000	0.12%
CIT GROUP INC	5.800	07/28/11	3,000,000	3,022,400	2,535,000	0.17%
CSX CORP	5.750	03/15/13	5,000,000	4,988,964	4,950,739	0.34%
CVS CAREMARK CORP	5.750	06/01/17	5,000,000	4,824,441	4,886,533	0.33%
CAPITAL ONE FINL CORP	6.750	09/15/17	5,000,000	4,975,126	4,453,221	0.31%
CITIGROUP INC	6.000	02/21/12	5,000,000	4,999,326	5,074,318	0.35%
CITIGROUP INC	3.625	02/09/09	5,000,000	4,998,535	4,971,978	0.34%
CITIGROUP INC	5.500	08/27/12	5,000,000	5,008,973	4,928,461	0.34%
COMCAST CORP NEW	5.450	11/15/10	5,000,000	5,005,046	5,079,786	0.35%
COMM MTG TR	5.540	06/10/46	6,544,407	6,549,396	6,597,977	0.45%
CONOCOPHILLIPS CDA FDG CO I	5.625	10/15/16	6,000,000	5,999,602	6,075,670	0.42%
CONTINENTAL AIRLS	6.563	08/15/13	5,000,000	5,010,240	5,137,500	0.35%
DETROIT EDISON CO	5.200	10/15/12	5,000,000	4,970,277	5,044,700	0.35%
DONNELLEY R R + SONS CO	4.950	04/01/14	5,000,000	4,879,910	4,569,133	0.31%
ENTERGY ARK INC	4.500	06/01/10	3,000,000	2,994,910	2,918,552	0.20%
FIFTH THIRD BANCORP	5.450	01/15/17	5,000,000	4,985,159	3,961,996	0.27%
FIRST CHICAGO CORP	6.375	01/30/09	2,000,000	1,988,759	2,039,689	0.14%
FORTUNE BRANDS INC	5.375	01/15/16	3,000,000	2,984,910	2,778,888	0.19%
GE COML MTG CORP TR	5.417	12/10/49	10,000,000	10,037,697	9,821,086	0.67%
GALENA CDO I CAYMAN IS NO 1LTD	VAR	01/11/13	4,000,000	4,000,000	2,560,400	0.18%
GENERAL ELEC CO	5.250	12/06/17	5,000,000	5,011,429	4,861,290	0.33%
GENERAL ELEC CAP CORP MTN	5.000	04/10/12	5,000,000	4,979,923	5,018,236	0.34%
GENERAL ELEC CAP CORP MTN	4.375	11/21/11	10,000,000	9,828,440	9,901,661	0.68%
GENWORTH FINL INC	5.650	06/15/12	5,000,000	4,991,314	4,755,050	0.33%
GOLDMAN SACHS GROUP INC	5.350	01/15/16	5,000,000	4,956,755	4,694,656	0.32%
GOLDMAN SACHS GROUP	5.300	02/14/12	5,000,000	4,996,993	4,960,665	0.34%
GOLDMAN SACHS GROUP INC	3.875	01/15/09	5,000,000	5,006,141	4,999,934	0.34%
HSBC FIN CORP	5.500	01/19/16	5,000,000	5,006,817	4,781,853	0.33%

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HSBC FIN CORP	5.900	06/19/12	5,000,000	4,990,166	5,045,360	0.35%
HARTFORD FINL SVCS GROUP INC	5.375	03/15/17	5,000,000	4,988,314	4,651,149	0.32%
HARTFORD FINL SVCS GROUP INC	6.300	03/15/18	5,000,000	5,005,132	4,934,246	0.34%
HERSHEY FOODS CORP	5.300	09/01/11	1,000,000	998,761	1,017,724	0.07%
HOUSEHOLD FIN CORP	4.750	05/15/09	1,000,000	999,849	1,004,195	0.07%
ING SEC LIFE INSTL FDG	4.250	01/15/10	3,000,000	2,997,978	2,978,919	0.20%
INTERNATIONAL LEASE FIN CORP	5.125	11/01/10	5,000,000	4,990,775	4,711,171	0.32%
INTL LEASE FIN CORP MTN	4.550	10/15/09	5,000,000	5,033,700	4,925,787	0.34%
J P MORGAN CHASE AND CO	3.500	03/15/09	10,000,000	9,991,639	9,965,738	0.68%
JPMORGAN CHASE + CO	4.750	05/01/13	5,000,000	4,984,705	4,823,673	0.33%
J P MORGAN CHASE COML MTG SECS	4.200	07/12/35	10,021,326	10,062,865	9,902,474	0.68%
J P MORGAN CHASE COML MTG	3.053	01/15/38	1,353,155	1,350,683	1,337,391	0.09%
JP MORGAN CHASE	5.279	12/12/43	4,183,683	4,189,109	4,195,942	0.29%
JERSEY CENT PWR + LT CO	5.650	06/01/17	3,000,000	2,990,666	2,871,749	0.20%
KCT INTERMODAL TRANSN CORP	6.884	08/01/18	2,974,133	2,974,133	3,197,981	0.22%
KEYBANK NATL ASSN CLEVELAND OH	5.500	09/17/12	5,000,000	4,999,413	4,544,708	0.31%
KEYBANK NATL ASSN MTN	5.450	03/03/16	5,000,000	4,999,080	3,917,562	0.27%
KRAFT FOODS INC	4.125	11/12/09	3,000,000	2,996,007	2,971,999	0.20%
LEHMAN BROTHERS HLDGS INC	VAR	05/25/10	5,000,000	5,000,000	4,667,823	0.32%
LEHMAN BROTHERS HLDGS INC	5.000	01/14/11	5,000,000	4,988,826	4,811,234	0.33%
MGIC INVT CORP	5.625	09/15/11	5,000,000	4,991,428	4,279,287	0.29%
MARATHON OIL CORP	5.900	03/15/18	5,000,000	4,984,072	4,915,351	0.34%
MARSH + MCLENNAN COS INC	7.125	06/15/09	3,000,000	2,999,289	3,034,142	0.21%
MCKESSON CORP NEW	5.250	03/01/13	3,000,000	2,990,187	2,934,463	0.20%
MERRILL LYNCH + CO INC	6.400	08/28/17	5,000,000	4,993,315	4,645,097	0.32%
MERRILL LYNCH + CO INC	4.125	01/15/09	5,000,000	4,999,682	4,965,482	0.34%
METLIFE INC	5.000	11/24/13	5,000,000	4,974,061	4,863,707	0.33%
ML CFC COML MTG TR	5.590	09/12/49	10,000,000	10,047,441	9,803,263	0.67%
MORGAN STANLEY	4.000	01/15/10	5,000,000	4,987,638	4,881,474	0.33%
MORGAN STANLEY	5.050	01/21/11	5,000,000	4,993,450	4,878,352	0.33%
NATNL CITY BK CLEVELAND OH	5.250	12/15/16	5,000,000	4,996,071	3,700,000	0.25%
NATIONWIDE FINL SVCS INC	6.250	11/15/11	5,000,000	5,138,561	5,099,622	0.35%
PPL MONT LLC	8.903	07/02/20	3,502,441	3,502,441	3,809,263	0.26%
PPL ENERGY SUPPLY LLC	6.500	05/01/18	3,000,000	2,990,130	2,918,025	0.20%
PANAMERICAN BEVERAGES INC	7.250	07/01/09	3,000,000	3,009,086	3,062,458	0.21%
PRINCIPAL LIFE GLOBAL FDG MTN	5.125	10/15/13	5,000,000	4,996,113	4,859,803	0.33%
PROTECTIVE LIFE SECD TRS SECD	5.450	09/28/12	7,000,000	6,986,378	6,962,571	0.48%
PRUDENTIAL FINL INC	5.500	03/15/16	5,000,000	4,920,997	4,719,611	0.32%
SBC COMMUNICATIONS INC	5.300	11/15/10	5,000,000	4,994,848	5,102,506	0.35%
SLM CORP	4.500	07/26/10	5,000,000	4,994,213	4,600,000	0.32%
ST PAUL TRAVELERS COS INC	6.250	06/20/16	5,000,000	4,985,975	5,052,108	0.35%
SCHERING PLOUGH CORP	6.000	09/15/17	5,000,000	4,977,479	4,963,722	0.34%
SOUTHWEST GAS CORP	8.375	02/15/11	4,000,000	3,998,396	4,204,806	0.29%
UNION BK CALIF	5.950	05/11/16	5,000,000	5,003,359	4,586,334	0.31%
UNION PAC CORP	4.875	01/15/15	7,000,000	6,756,873	6,621,500	0.45%
UNITED PARCEL SVC INC	5.500	01/15/18	5,000,000	4,990,555	5,006,257	0.34%
VERIZON COMMUNICATIONS INC	5.550	02/15/16	5,000,000	4,969,458	4,898,644	0.34%
VERIZON NEW JERSEY INC	5.875	01/17/12	5,000,000	5,145,461	5,005,228	0.34%
WACHOVIA CORP NEW	5.625	10/15/16	5,000,000	4,984,087	4,548,316	0.31%
WASHINGTON MUT INC	4.200	01/15/10	5,000,000	4,997,674	4,400,000	0.30%

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WELLPOINT INC	5.875	06/15/17	5,000,000	4,930,213	4,828,698	0.33%
WELLS FARGO + CO NEW	4.625	04/15/14	5,000,000	4,875,396	4,694,831	0.32%
WELLS FARGO CO NEW	5.300	08/26/11	10,000,000	9,991,692	10,102,993	0.69%
WESTERN PPTYS TR	7.200	09/15/08	1,000,000	998,770	1,004,149	0.07%
WILMINGTON TR CORP	8.500	04/02/18	2,000,000	2,000,000	2,103,879	0.14%
WYETH	5.500	02/01/14	5,000,000	4,994,594	5,039,706	0.35%
ZIONS BANCORPORATION	5.650	05/15/14	3,000,000	2,997,714	2,520,713	0.17%
<b>Corporate Bonds Rated</b>			<b>516,060,529</b>	<b>515,102,160</b>	<b>499,796,852</b>	<b>34.25%</b>
BGI EQUITY INDEX FUND B	NA	NA	480,587	68,406,677	87,443,325	5.99%
<b>Equity Index Fund</b>			<b>480,587</b>	<b>68,406,677</b>	<b>87,443,325</b>	<b>5.99%</b>
MONTANA RESIDENTIAL MORTGAGES	NA	NA	59,702,382	59,702,382	58,957,838	4.04%
MONTANA COAL TAX TRUST LOANS	NA	NA	195,686,203	195,686,203	195,686,203	13.41%
<b>Loans/Mortgages</b>			<b>255,388,585</b>	<b>255,388,585</b>	<b>254,644,041</b>	<b>17.45%</b>
2273 BOOT HILL COURT, BOZEMAN MT	NA	NA	2,073,887	2,073,887	2,123,654	0.15%
CALIFORNIA STREET, HELENA MT	NA	NA	205,591	205,591	220,000	0.02%
2401 COLONIAL DRIVE, HELENA MT	NA	NA	7,235,942	7,235,942	7,776,349	0.53%
1712 NINTH AVENUE, HELENA MT	NA	NA	514,749	514,749	579,626	0.04%
100 NORTH PARK AVENUE, HELENA MT	NA	NA	6,934,384	6,934,384	6,582,860	0.45%
<b>Real Estate</b>			<b>16,964,552</b>	<b>16,964,552</b>	<b>17,282,489</b>	<b>1.19%</b>
ENSCO OFFSHORE CO	6.360	12/01/15	7,500,395	7,500,395	7,959,344	0.55%
GLOBAL INDS LTD	7.710	02/15/25	3,400,000	3,400,000	3,361,920	0.23%
ROWAN COS INC	5.880	03/15/12	9,088,000	9,088,000	9,543,581	0.65%
UNITED STATES TREAS NTS	3.875	01/15/09	2,619,260	2,630,159	2,703,364	0.19%
UNITED STATES TREAS NTS	4.000	02/15/15	20,000,000	19,049,591	20,559,399	1.41%
UNITED STATES TREAS NTS	4.250	11/15/17	15,000,000	15,171,179	15,318,152	1.05%
UNITED STATES TRES SC STRP INT	0.000	11/15/17	6,300,000	3,938,443	4,208,967	0.29%
<b>U.S. Government Direct Obligations</b>			<b>63,907,655</b>	<b>60,777,767</b>	<b>63,654,728</b>	<b>4.36%</b>
FED HM LN PC POOL G10814	5.500	05/01/13	1,032,373	1,031,998	1,049,266	0.07%
FED HM LN PC POOL G10173	6.000	01/01/09	17,188	17,183	17,616	0.00%
FED HM LN PC POOL G13081	5.000	04/01/23	9,761,081	9,761,081	9,643,461	0.66%
FED HM LN PC POOL G18244	4.500	02/01/23	9,793,044	9,604,732	9,457,801	0.65%
FED HOME LN MTG CORP MTN	5.125	07/18/18	5,000,000	5,000,000	4,988,916	0.34%
FREDDIE MAC	4.100	01/28/14	15,000,000	15,000,000	15,054,569	1.03%
FEDERAL HOME LN MTG CORP	5.050	01/26/15	10,000,000	9,979,095	10,240,482	0.70%
FEDERAL HOME LN MTG CORP	4.625	08/15/08	10,000,000	9,998,184	10,029,893	0.69%
FED HM LN PC POOL E00247	5.500	10/01/08	8,901	8,895	8,965	0.00%
FED HM LN PC POOL E00540	6.000	03/01/13	624,290	623,349	641,123	0.04%
FED HM LN PC POOL E00659	6.000	04/01/14	723,840	723,543	743,423	0.05%
FEDERAL FARM CR BKS	4.450	09/23/13	7,000,000	6,825,445	7,053,392	0.48%
FEDERAL FARM CR BKS CONS SYSTE	4.000	09/24/10	2,000,000	2,008,562	2,022,688	0.14%
FEDERAL FARM CR BKS	5.100	04/12/17	20,000,000	19,752,578	20,457,138	1.40%
FEDERAL FARM CREDIT BANK	3.400	02/07/13	19,000,000	19,000,000	18,360,017	1.26%
FEDERAL FARM CREDIT BANK	4.950	03/12/18	5,000,000	4,989,401	4,905,479	0.34%
FEDERAL HOME LN BKS	4.000	12/19/11	8,000,000	7,808,490	7,914,367	0.54%
FEDERAL HOME LN BKS	4.150	06/25/13	12,000,000	11,484,869	11,759,407	0.81%
FEDERAL HOME LN BKS	4.125	08/13/10	20,000,000	19,992,385	20,293,744	1.39%
FEDERAL HOME LN BKS	3.625	11/14/08	10,000,000	9,998,279	10,035,248	0.69%
FEDERAL HOME LN BKS	4.250	09/12/08	10,000,000	9,990,120	10,039,075	0.69%
FEDERAL HOME LN BKS	4.750	09/11/15	10,000,000	9,777,966	10,050,325	0.69%
FEDERAL HOME LN BKS CONS	4.750	12/12/08	10,000,000	9,990,313	10,097,043	0.69%



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FEDERAL HOME LN BKS	4.750	03/13/09	10,000,000	9,974,382	10,136,451	0.69%
FEDERAL HOME LN BKS	5.250	06/12/09	11,500,000	11,505,166	11,755,395	0.81%
FEDERAL HOME LOAN BANKS	5.250	09/11/09	10,000,000	10,020,114	10,266,118	0.70%
FEDERAL HOME LN ASSOC	5.000	10/16/09	10,000,000	9,986,994	10,066,769	0.69%
FEDERAL HOME LOAN BANK	4.875	11/18/11	1,900,000	1,897,323	1,964,545	0.13%
FEDERAL HOME LN BANKS	4.750	12/16/16	15,000,000	14,873,688	15,111,312	1.04%
FEDERAL HOME LN BKS	5.125	03/10/17	10,000,000	10,083,645	10,414,751	0.71%
FEDERAL HOME LOAN BKS	4.875	06/08/12	4,900,000	4,864,329	5,049,483	0.35%
FEDERAL HOME LN BK	4.500	10/09/09	1,500,000	1,513,891	1,528,979	0.10%
FEDERAL HOME LOAN BANK	3.000	12/10/10	7,000,000	6,968,813	6,915,493	0.47%
FEDERAL HOME LN BKS	3.125	06/10/11	5,000,000	4,869,487	4,918,791	0.34%
FEDERAL HOME LN MTG CORP	5.625	03/15/11	10,000,000	10,025,153	10,530,610	0.72%
FEDERAL HOME LN MTG CORP	6.000	06/15/11	15,000,000	14,996,072	15,979,496	1.10%
FEDERAL HOME LN MTG CORP	3.625	09/15/08	14,000,000	14,003,001	14,030,544	0.96%
FEDERAL NATL MTG ASSN	5.550	02/16/17	20,000,000	20,043,756	20,239,626	1.39%
FEDERAL NATL MTG ASSN	5.000	04/26/17	5,000,000	4,867,719	4,938,302	0.34%
FEDERAL NATL MTG ASSN	0.010	06/01/17	14,600,000	8,342,600	9,625,196	0.66%
FEDERAL NATL MTG ASSN	7.250	01/15/10	8,000,000	8,088,871	8,493,963	0.58%
FEDERAL NATL MTG ASSN	6.625	11/15/10	10,000,000	10,103,198	10,733,625	0.74%
FEDERAL NATL MTG ASSN	4.375	07/17/13	20,000,000	19,603,914	20,048,308	1.37%
FEDERAL NATL MTG ASSN	3.875	11/17/08	10,000,000	9,967,588	10,044,630	0.69%
FEDERAL NATL MTG ASSN	3.375	12/15/08	15,000,000	14,987,340	15,047,801	1.03%
FEDERAL NATL MTG ASSN	4.125	04/15/14	10,000,000	9,625,738	9,885,012	0.68%
FEDERAL NATL MTG ASSN	4.500	08/15/08	15,000,000	15,000,000	15,042,522	1.03%
FNMA POOL 190985	7.500	08/01/09	85,656	85,656	86,614	0.01%
FEDERAL NATL MTG ASSN MTN	4.300	03/09/09	10,000,000	9,935,454	10,104,196	0.69%
FEDERAL NATL MTG ASSN	4.500	07/27/09	10,000,000	9,905,544	10,177,850	0.70%
FEDERAL NATL MTG ASSN	4.000	11/15/12	3,000,000	2,990,751	2,988,765	0.20%
FNMA POOL 254140	5.500	01/01/17	4,551,175	4,539,565	4,624,469	0.32%
FNMA POOL 254233	5.000	03/01/17	3,685,083	3,607,008	3,694,702	0.25%
FNMA POOL 254631	5.000	02/01/18	3,096,304	3,088,651	3,098,701	0.21%
FNMA POOL 303590	7.000	11/01/10	167,096	167,096	170,100	0.01%
FNMA POOL 313999	6.000	02/01/13	333,491	332,727	342,141	0.02%
FEDERAL HOME LN MTG CORP	5.000	02/16/17	10,000,000	9,898,642	10,204,766	0.70%
FNMA POOL 572220	6.000	03/01/16	186,067	185,754	191,167	0.01%
FNMA POOL 592327	5.500	06/01/16	401,765	396,179	408,235	0.03%
FEDERAL NATL MTG ASSN	3.875	07/12/13	10,000,000	9,843,291	9,858,187	0.68%
FNMA POOL 844915	4.500	11/01/20	6,861,946	6,821,870	6,685,848	0.46%
FNMA POOL 888932	4.500	11/01/22	4,553,160	4,553,160	4,436,313	0.30%
FNMA POOL 962078	4.500	03/01/23	9,831,355	9,774,219	9,503,697	0.65%
<b>U.S. Government Agency</b>			<b>525,113,814</b>	<b>515,704,818</b>	<b>524,206,909</b>	<b>35.93%</b>
<b>AOF Total</b>			<b>1,390,039,168</b>	<b>1,444,468,005</b>	<b>1,459,151,790</b>	<b>100.00%</b>

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## LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Monica Huyg, Legal Counsel



Deputy Legislative Auditors  
James Gillett  
Angie Grove

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee  
of the Montana State Legislature:

We have audited the accompanying Statement of Net Assets of the Enterprise Fund of the state of Montana Board of Investments as of June 30, 2008, and 2007, and the related Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows for each of the fiscal years then ended. The information contained in these financial statements is the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise Fund of the state of Montana Board of Investments as of June 30, 2008, and 2007, and its changes in net assets and cash flows for each of the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

The information presented on pages 1-68 and Appendix A listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,

*/s/ James Gillett*

James Gillett, CPA  
Deputy Legislative Auditor

November 26, 2008

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND  
STATEMENT OF NET ASSETS AS OF JUNE 30, 2008 AND 2007**

**Assets**

	<u>2008</u>	<u>2007</u>
<b>Current assets:</b>		
Cash and cash equivalents (Note 1)	\$ 9,230,138	\$ 29,712,816
Interest receivable	878,280	861,104
Notes/loans receivable (Note 1)	9,779,321	8,170,378
Interfund notes/loans and interest receivable (Note 1)	4,133,105	5,070,334
Component Unit notes/loans and interest receivable (Note 1)	1,856,884	1,816,397
Short-term investments at fair value (Notes 1 and 2)	9,907,678	1,062,636
Security lending cash collateral (Note 3)	1,370	0
Prepaid expenses	<u>0</u>	<u>0</u>
<b>Total current assets</b>	<b><u>35,786,776</u></b>	<b><u>46,693,665</u></b>
<b>Noncurrent assets:</b>		
Restricted investments at fair value (Notes 1 and 2)	3,920,255	3,630,292
Long-term investments at fair value (Notes 1 and 2)	2,914	
Notes/loans receivable (Note 1)	34,841,007	32,280,486
Interfund notes/loans and interest receivable (Note 1)	21,577,526	18,045,342
Component Unit notes/loans receivable (Note 1)	8,260,506	5,184,483
Capitalized cost of issue (Note 1)	1,419,379	1,526,132
Equipment	6,090	2,990
Accumulated depreciation	<u>(2,977)</u>	<u>(2,930)</u>
<b>Total noncurrent assets</b>	<b><u>70,024,700</u></b>	<b><u>60,666,795</u></b>
<b>Total assets</b>	<b>\$ <u>105,811,476</u></b>	<b>\$ <u>107,360,460</u></b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Advances	\$ 0	\$ 58,968
Due to other funds	2,434	5,280
Accrued expenses	13,873	21,231
Accrued interest payable	1,146,090	1,342,468
Security lending obligations (Note 3)	1,370	0
Arbitrage rebate tax payable	25,370	34,768
Compensated absences	12,385	16,637
Current bonds/notes payable (Note 4)	<u>98,462,463</u>	<u>99,122,441</u>
<b>Total current liabilities</b>	<b><u>99,663,985</u></b>	<b><u>100,601,793</u></b>
<b>Noncurrent liabilities</b>		
Bonds/notes payable (Note 4)	1,435,903	2,014,709
Compensated absences	40,684	28,574
Arbitrage rebate tax payable	14,426	24,553
OPEB implicit rate subsidy (Note 10)	<u>14,910</u>	<u>0</u>
<b>Total noncurrent liabilities</b>	<b><u>1,505,923</u></b>	<b><u>2,067,836</u></b>
<b>Total liabilities</b>	<b>\$ <u>101,169,908</u></b>	<b>\$ <u>102,669,629</u></b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	\$ 3,113	\$ 60
Restricted (Note 1)	3,132,940	3,077,614
Unrestricted	<u>1,505,515</u>	<u>1,613,157</u>
<b>Total net assets (Note 7)</b>	<b>\$ <u>4,641,568</u></b>	<b>\$ <u>4,690,831</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>105,811,476</u></b>	<b>\$ <u>107,360,460</u></b>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>Operating revenue</b>		
Reimbursements	\$ 33,321	\$ 22,344
Investment income	1,043,973	931,678
Security lending income	321	25
Financing income	<u>3,425,902</u>	<u>3,449,992</u>
<b>Total operating revenue</b>	<u>4,503,517</u>	<u>4,404,039</u>
<b>Operating expenses</b>		
Personal services	297,247	256,017
Contracted services	32,163	32,349
Supplies and materials	5,419	4,443
OPEB (Note 10)	14,910	0
Communications	6,830	6,866
Travel	2,132	1,751
Rent	42,893	42,218
Repair and maintenance	300	300
Indirect and other costs	44,603	37,942
Depreciation expense	47	0
Arbitrage rebate tax expense (Note 9)	23,580	(51,294)
Security lending expense	251	25
Debt service		
Interest expense	3,729,900	3,489,805
Trustee fee expense	66,473	46,356
Bond issuance cost amortization expense	106,752	98,081
Other debt service expense	<u>179,280</u>	<u>202,577</u>
<b>Total operating expenses</b>	<u>4,552,780</u>	<u>4,167,436</u>
<b>Operating (loss) income</b>	<u>(49,263)</u>	<u>236,603</u>
<b>Nonoperating (expense):</b>		
Transfers to other funds (Note 8)	<u>0</u>	<u>(900,074)</u>
<b>Change in net assets</b>	(49,263)	(663,471)
<b>Beginning net assets</b>	<u>4,690,831</u>	<u>5,354,302</u>
<b>Ending net assets (Note 7)</b>	\$ <u>4,641,568</u>	\$ <u>4,690,831</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND  
STATEMENT OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities:</b>		
Receipts for sales and services	\$ 33,321	\$ 22,344
Payments to suppliers for goods and services	(142,063)	(137,459)
Payments to employees	(296,865)	(243,266)
<b>Net cash (used for) operating activities</b>	<u>(405,607)</u>	<u>(358,381)</u>
<b>Cash flows from non-capital financing activities:</b>		
Payment of principal and interest on bonds and notes	(5,840,364)	(5,649,519)
Proceeds from issuance of bonds and notes	429,549	16,531,576
Payment of bond issue costs	0	(325,169)
Transfers to other funds (Note 8)	<u>0</u>	<u>(900,073)</u>
<b>Net cash provided by (used for) non-capital financing activities</b>	<u>(5,410,815)</u>	<u>9,656,815</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of fixed assets	<u>(3,100)</u>	<u>0</u>
<b>Net cash (used for) capital and related financing activities</b>	<u>(3,100)</u>	<u>0</u>
<b>Cash flows from investing activities:</b>		
Collections for principal and interest on loans	23,480,099	27,151,788
Cash payments for loans	(30,025,737)	(20,285,810)
Purchase of investments	(10,043,998)	0
Proceeds from security lending	321	25
Security lending costs	(251)	(25)
Proceeds from sales or maturities of investments	1,076,000	1,520,601
Interest on investments	893,515	804,013
(Payment for) refund from arbitrage rebate tax	<u>(43,105)</u>	<u>(18,627)</u>
<b>Net cash provided by (used for) investing activities</b>	<u>(14,663,156)</u>	<u>9,171,965</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(20,482,678)	18,470,399
<b>Cash and cash equivalents, July 1</b>	<u>29,712,816</u>	<u>11,242,417</u>
<b>Cash and cash equivalents, June 30</b>	<u>9,230,138</u>	<u>29,712,816</u>
<b>Reconciliation of net income to net cash (used for) operating activities:</b>		
Net operating (loss) income	(49,263)	236,603
Adjustments to reconcile net income to net cash (used for) operating activities		
Depreciation	47	0
Interest on investments	(1,043,973)	(931,678)
Financing income	(3,425,902)	(3,449,992)
Interest expense	4,082,405	3,836,819
Security lending income	(321)	(25)
Security lending expense	251	25
Arbitrage rebate tax expense	23,580	(51,294)
Change in assets and liabilities:		
(Increase) decrease in other assets	(4,995)	25
Increase (decrease) in other payables	(7,358)	(2,993)
Increase (decrease) in due to other funds	(2,846)	1,462
Increase (decrease) in compensated absences payable	7,858	2,667
Increase (decrease) in OPEB payables (Note 10)	<u>14,910</u>	<u>0</u>
<b>Total adjustments</b>	<u>(356,344)</u>	<u>(594,984)</u>
<b>Net cash (used for) operating activities</b>	\$ <u>(405,607)</u>	\$ <u>(358,381)</u>
<b>Schedule of noncash transactions:</b>		
Increase/(decrease) in fair value of investments	\$ <u>(147,098)</u>	\$ <u>(91,775)</u>
<b>Total noncash transactions</b>	\$ <u>(147,098)</u>	\$ <u>(91,775)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF MONTANA BOARD OF INVESTMENTS ENTERPRISE FUND**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2008 AND JUNE 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Basis of Accounting**

The Board uses the accrual basis of accounting for the Enterprise Fund. Under the accrual basis of accounting, expenses are recorded when incurred and revenues are recorded when earned. The financial statements are prepared from the Statewide Accounting, Budgeting, and Human Resource System (SABHRS) and information contained in the bond trustee statements. The statements include the financial activity administered by the Board in the Enterprise Fund.

**b. Presentation of Programs**

The Board uses the Enterprise Fund to account for its programs created under the Economic Development Bond Act and the Municipal Finance Consolidation Act.

Economic Development Bond Act programs include:

- The Stand Alone Economic Development Bond Program provides access to limited economic development projects through the issuance of conduit debt.
- The Conservation Reserve Enhancement Program (CRP), created in 1990 by issuing bonds, allows farmers to receive a lump sum payment by assigning their federal CRP contract to the Board. The farmers under contract must comply with seeding and other requirements. The Conservation Reserve Enhancement Program is currently funded by the Montana Trust Funds Bond Pool.

Municipal Finance Consolidation Act programs include:

- The INTERCAP loan program provides funds to eligible Montana governments to finance capital expenditures for up to fifteen years.
- The Irrigation District Pooled Loan Program provided funds for the Board to purchase the refunding bonds from participating irrigation districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans.

**c. Fixed Asset Depreciation**

The equipment fixed assets recorded in the Enterprise Fund are depreciated on a straight-line basis value, in accordance with state policy.

**d. Receivables**

The Enterprise Fund notes/loans receivables of \$80,024,100 as of June 30, 2008 and \$70,047,071 as of June 30, 2007, represent loans made to Montana businesses, state and local governments. The Enterprise Fund notes/loans are classified in three categories as follows:

- 1) Notes/loans receivable from local governments and Montana businesses
- 2) Interfund notes/loans receivable from state agency governments
- 3) Component Unit notes/loans receivable from certain state agencies and university units for which the State is financially accountable.

The InterFund notes/loans receivable as of June 30, 2008 and 2007 includes \$419,254 and \$520,349, respectively, in interest accruals from state agencies and university units.

**e. Capitalized Cost of Issue**

The Enterprise Fund capitalized cost of issue asset of \$1,419,379 and \$1,526,132 as of June 30, 2008 and June 30, 2007, respectively, represents paid bond issuance costs which have been capitalized and are being amortized, using the straight-line method over the life of the bonds.

**f. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents, as identified in the Statement of Net Assets, are as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Cash in treasury	\$ 13,244	\$ 21,952
Cash with fiscal agent	1	45,000
Short Term Investment Pool (STIP)	28,307	220,203
First American Treasury Obligation Fund	<u>9,188,586</u>	<u>29,425,661</u>
Total Cash and Cash Equivalents	\$ <u>9,230,138</u>	\$ <u>29,712,816</u>

The Enterprise Fund invests its operational cash in the Board's Short Term Investment Pool (STIP), an external investment pool. An external investment pool commingles the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. STIP participants include both state agencies and local governments. By meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values.

**g. Restricted Net Assets**

The Statement of Net Assets for the Enterprise Fund reports restricted assets. Net assets are reported as restricted when constraints placed on net asset use are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.

The net assets of all Enterprise Fund programs with the exception of MEDB (Montana Economic Development Bonds) Guarantee Fund Account, MEDB Guarantee CRP Note Reserve, MEDB Contingency Account and CRP are restricted under bond indentures governing the use of these funds.

**h. Investments**

Investments are presented in the Statement of Net Assets at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to the Board's trustee. Amortized cost, or carrying value, represents the original cost, adjusted for premium and discount amortization where applicable. Premiums and discounts are amortized/accreted using the straight-line method to the maturity date of the securities.

**2. INVESTMENT RISK DISCLOSURES**

Effective June 30, 2005, the Board implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The investment risk disclosures are described in the following paragraphs.

The Enterprise Fund deposits and investments are restricted by the bond trust indentures to the following: government and agency obligations, certificates of deposits, repurchase agreements, and investment agreements. Deposits and investments must be made with Montana banks or in the Short Term Investment Pool (STIP) administered by the Board.

**Credit Risk**

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Enterprise Fund's U.S. government direct-backed securities, consisting of U.S. Treasury notes and bills, are guaranteed directly by the U.S. government. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings presented in the table below are provided by S&P's rating services.

**Custodial Credit Risk**

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2008 and 2007, Enterprise Fund securities were recorded in book entry form in the name of U.S. Bank National Association as Trustee for the Montana Board of Investments by specific account.

As of June 30, 2008, the Enterprise Fund had \$10,041,084 in Certificates of Deposits (CDs), of which \$100,000 is covered by FDIC (Federal Deposit Insurance Corporation) insurance. The remaining balance of \$9,941,084 is not covered by deposit insurance but is collateralized by securities held by U.S. Bank's Trust Department. The securities used as collateral are held by U.S. Bank's Trust Department at 100% of the Certificate of Deposit amount in a pool for multiple depositors.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Enterprise Fund investments include investments directly issued or explicitly guaranteed by the U.S. government, and investments in mutual funds. These investments are excluded from the concentration of credit risk requirement. The Enterprise Fund also invests in US Bank Certificates of Deposit. These CDs represent 43.6% of the investment portfolio.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Enterprise Funds' bond indentures do not formally address interest rate risk. In accordance with GASB Statement No. 40, the Board has selected the duration method to disclose interest rate risk.

State of Montana Enterprise Fund investments are categorized below to disclose credit and interest rate risk as of June 30, 2008 and June 30, 2007. Credit risk reflects the bond quality rating, by investment type, as of the June 30 report date. Interest rate risk is disclosed using duration as calculated by Board staff. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

#### **Credit Quality Rating and Effective Duration as of June 30, 2008**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
First American Treasury Obligation Fund	\$ 9,188,586	AAA	NA
Short Term Investment Pool (STIP)	31,221	NR	NA
U.S. Government Direct Obligations	3,786,848	AAA	1.17
Certificates of Deposit	<u>10,041,084</u>	<u>AA</u>	<u>1.21</u>
Total Investments	\$ <u>23,047,739</u>	<u>AA+</u>	<u>1.20</u>
Securities Lending Collateral Investment Pool	\$ <u>1,370</u>	NR	NA

#### **Credit Quality Rating and Effective Duration as of June 30, 2007**

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating</u>	<u>Effective Duration</u>
First American Treasury Obligation Fund	\$ 29,425,661	AAA	NA
Short Term Investment Pool (STIP)	220,203	NR	NA
U.S. Government Direct Obligations	<u>4,692,928</u>	<u>AAA</u>	<u>1.76</u>
Total Investments	\$ <u>34,338,792</u>	<u>AAA</u>	<u>1.76</u>
Securities Lending Collateral Investment Pool	\$ <u>0</u>	NR	NA

There were no derivative transactions during the above fiscal years for investments held by the trustee.

### **3. SECURITY LENDING**

The Enterprise Fund is a participant in the Board's Short Term Investment Pool (STIP). In fiscal years 2008 and 2007, security lending transactions were recorded for STIP.

The Board is authorized by law to lend its securities and has contracted with the custodial bank, State Street Bank and Trust "the Bank", to lend the Board's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan.



The Board and the bank split the earnings on security lending activities.

During fiscal years 2008 and 2007, the custodial bank lent Board public securities and received U.S. dollar and foreign currency cash, securities issued or guaranteed by the U.S. government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The custodial bank cannot pledge or sell collateral securities unless the borrower defaults. The Board imposed no restrictions on the amount of securities available to lend during fiscal years 2008 and 2007. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period. Also, there were no losses resulting from a borrower default.

During fiscal years 2008 and 2007, the Board and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool. The Securities Lending Quality Trust had an average duration of 41 and 66 days, respectively, as of June 30, 2008 and 2007. The Quality D Trust had an average duration of 42 and 68 days, respectively, as of June 30, 2007 and 2006. Because the loans were terminable at will, their duration generally did not match the duration of the investments made with cash collateral. At year-end 2008 and 2007, the Board had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed.

#### 4. BONDS PAYABLE

##### Long-Term Bonds Payable

##### Economic Development Bonds (EDB) and Municipal Finance Consolidation Act Bonds (MFCAB)

These bonds are issued under the Economic Development Bond Act, and the Municipal Finance Consolidation Act, for the purpose of assisting Montana's small businesses and local governments in obtaining low cost financing. Outstanding obligations are listed as follows (in thousands):

##### **Bonds Payable as of June 30, 2008**

<u>Program</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Range %</u>	<u>Principal Payments FY 2009</u>	<u>@ Maturity</u>	<u>Balance June 30, 2008</u>
Municipal Finance Consolidation Act Bonds (Irrigation Program) (1)	1988	\$ 4,976	6.60-7.75	\$ 45	70 (2014)	\$ 345
Conservation Reserve Enhancement Program (CRP Bonds) (2)		<u>1,508</u>	<u>6.00-7.50</u>	<u>372</u>	<u>98(2014)</u>	<u>1,508</u>
Total Bonds Payable		<u>\$ 6,484</u>		<u>\$ 417</u>		<u>\$ 1,853</u>
Less Current Portion (FY2008 Principal Payments)						(417)
Total Long-Term Bonds Payable						<u>\$ 1,436</u>

##### **Bonds Payable as of June 30, 2007**

<u>Program</u>	<u>Series</u>	<u>Amount Issued</u>	<u>Interest Range %</u>	<u>Principal Payments FY 2008</u>	<u>@ Maturity</u>	<u>Balance June 30, 2007</u>
Municipal Finance Consolidation Act Bonds (Irrigation Program) (1)	1988	\$ 4,976	6.60-7.75	\$ 45	70 (2014)	\$ 390
Conservation Reserve Enhancement Program (CRP Bonds) (2)		<u>2,287</u>	<u>6.00-7.50</u>	<u>617</u>	<u>102(2016)</u>	<u>2,287</u>
Total Bonds Payable		<u>\$ 7,263</u>		<u>\$ 662</u>		<u>\$ 2,677</u>
Less Current Portion (FY2007 Principal Payments)						(662)
Total Long-Term Bonds Payable						<u>\$ 2,015</u>

(1) The Board issued these bonds to provide funds to purchase the Refunding Bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds and the interest thereon are payable solely from the collection of a special tax or assessment which is a lien against real property in the Irrigation District. While the Irrigation Bonds are not obligations of the State of Montana, the bonds are limited obligations of the Board due to an irrevocable pledge to lend money for deposit by the Trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein on any payment date. The Indenture does not permit the issuance of additional bonds.

(2) The Conservation Reserve Enhancement Program is funded by the Montana Trust Funds Bond Pool.

**Future debt service as of June 30, 2008 is listed below (in thousands):**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Principal	\$ 417	\$ 347	\$ 307	\$ 329	\$ 285	\$ 168	\$ 1,853
Interest	\$ 125	\$ 96	\$ 73	\$ 52	\$ 29	\$ 9	\$ 384
Total	<u>\$ 542</u>	<u>\$ 443</u>	<u>\$ 380</u>	<u>\$ 381</u>	<u>\$ 314</u>	<u>\$ 177</u>	<u>\$ 2,237</u>

**Future debt service as of June 30, 2007 is listed below (in thousands):**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013-16</u>	<u>Total</u>
Principal	\$ 662	\$ 486	\$ 331	\$ 290	\$ 222	\$ 686	\$ 2,677
Interest	\$ 181	\$ 136	\$ 103	\$ 80	\$ 60	\$ 96	\$ 656
Total	<u>\$ 843</u>	<u>\$ 622</u>	<u>\$ 434</u>	<u>\$ 370</u>	<u>\$ 282</u>	<u>\$ 782</u>	<u>\$ 3,333</u>

**Current Bonds Payable**

The Enterprise Fund is authorized to issue INTERCAP bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than \$190 million as amended by the 2007 Legislature. The INTERCAP bonds provide funds for the Board to make loans to eligible government units. The bonds are not a debt or liability of the State of Montana. The bonds are limited obligations of the Board payable solely from: a) repayments of principal and interest on loans made by the Board to participating eligible Montana governments; b) investment income under the indenture; and c) an irrevocable pledge by the Board. The Board has no taxing power. These bonds may be redeemed, at the bondholder's option, any March 1, prior to maturity. The Board did not enter into an arms-length financing agreement to convert the bonds "put", or tender, but not resold into some other form of long-term obligation. Accordingly, these bonds, considered demand bonds, are recorded as current liabilities of the Enterprise Fund.

The INTERCAP obligations at June 30, 2008 and June 30, 2007, are listed below (in thousands):

<u>Series</u>	<u>Amount</u>	<u>Interest</u>		<u>Balance</u>	<u>Balance</u>
	<u>Issued</u>	<u>Range</u>	<u>Maturity</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
1994	\$ 7,500	Variable	2009	\$ 6,685	\$ 6,745
1995	7,500	Variable	2010	6,875	6,915
1997	10,000	Variable	2017	9,520	9,605
1998	12,500	Variable	2018	12,110	12,200
2000	15,000	Variable	2025	14,750	14,865
2003	15,000	Variable	2028	14,735	14,755
2004	18,500	Variable	2029	18,370	18,375
2007	<u>15,000</u>	Variable	2032	<u>15,000</u>	<u>15,000</u>
Total INTERCAP Debt	<u>\$ 101,000</u>			<u>98,045</u>	<u>98,460</u>
Current Portion of Long-Term Bonds Payable				<u>417</u>	<u>662</u>
Current Bonds Payable				<u>\$ 98,462</u>	<u>\$ 99,122</u>

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## 5. OTHER DEBT

### Conduit Debt

In this program, the Board is authorized to issue stand-alone industrial revenue bonds, under the Economic Development Act, as conduit (no commitment) debt. Assets and revenues of the borrower are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected on the Board's financial statements. Bonds issued by the Board as conduit (no-commitment) debt are listed below (in thousands):

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Balance June 30, 2008</u>	<u>Balance June 30, 2007</u>
Colstrip	October 1989	12/30/15	\$ 60,800	\$ 45,300	\$ 48,100
Yellowstone Energy (BGI)	July 1993	12/31/19	118,345	110,145	113,145
Stillwater Mining	July 2000	07/01/20	30,000	30,000	30,000
Gainey Foundation	October 2002	09/01/14	<u>6,000</u>	<u>3,775</u>	<u>4,245</u>
Total conduit debt			<u>\$ 215,145</u>	<u>\$ 189,220</u>	<u>\$ 195,490</u>

### OZAB Debt

In this program, the Board is authorized to issue Qualified Zone Academy Bonds (QZAB), under the Municipal Finance Consolidation Act, as conduit (no commitment) debt. The revenues, and in some cases the taxing power, of the borrower are pledged to repay the bonds. Because the Board has no obligation for this debt, these bond issues are not reflected on the Board's financial statements. Bonds issued by the Board as QZAB conduit (no-commitment) debt are listed below (in thousands):

<u>Project</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Balance June 30, 2008</u>	<u>Balance June 30, 2007</u>
Huntley Project K-12 Schools	December 2000	07/01/13	\$ 750	\$ 750	\$ 750
Bozeman Public Schools	November 2003	11/25/12	1,586	1,586	1,586
Philipsburg Schools	December 2003	12/10/17	2,000	2,000	2,000
Cut Bank Elementary	August 2005	08/18/21	825	825	825
Cut Bank High School	August 2005	08/18/21	625	625	625
Bozeman Public Schools	December 2006	12/19/15	<u>1,459</u>	<u>1,459</u>	<u>1,459</u>
Total QZAB conduit debt			<u>\$ 7,245</u>	<u>\$ 7,245</u>	<u>\$ 7,245</u>

## 6. INTERCAP PROGRAM LOAN COMMITMENTS

The Board makes firm commitments to fund loans from the INTERCAP loan program. As of June 30, 2008 and 2007, respectively, the Board committed to make loans to eligible Montana governments totaling \$30,926,556 and \$33,237,729.

## 7. NET ASSETS

Net Assets represents the accumulated net profits of the Enterprise Fund programs. The Net Assets for fiscal years ended June 30, 2008 and June 30, 2007 include \$82,869 and (\$64,229), respectively, in unrealized appreciation (depreciation) in reporting the fair value of the Enterprise Fund investments.

## 8. TRANSFERS TO OTHER FUNDS

In fiscal year 2007, the Enterprise Fund transferred \$900,074 to the Board of Investment's Investment account. No transfers were made in fiscal year 2008.

## 9. ARBITRAGE

The fiscal year 2007 Arbitrage Rebate Tax Expense represents an over accrual of estimated arbitrage liability as calculated by a contracted vendor.

## 10. OPEB – Other Post Employment Benefits

Refer to the State of Montana Comprehensive Annual Financial Report (CAFR) Note 7. The State of Montana CAFR is available at the Department of Administration, Administrative and Financial Service Division's website at <http://afsd.mt.gov/cafr/cafr.asp>